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NEWS: EUROPE

Kohl and Scharping feed rumour mill

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl and Mr Rudolf Scharping, recently-elected leader of Germany's opposition Social Democrats (SPD), met behind closed doors yesterday for wide-ranging talks, fuelling press speculation that they will be forced to form a grand coalition after next year's elections. Both political leaders have flatly rejected the idea, each insisting that he is campaigning for outright victory, but the very fact that they are prepared to meet and talk privately has stoked the overheated rumour mill in Bonn.

The meeting underlines the fact that both men belong firmly in Germany's tradition of consensual politics, where cross-party compromises are the regular answer to resolving their conflicts. It also confirms Mr Scharping's style as the new opposition leader, in which he is determined to demonstrate that his party is capable of becoming an alternative government.

The talks, the first since Mr Scharping was elected SPD

party leader in June, lasted 90 minutes and when he emerged Mr Scharping said they covered "everything currently on the political agenda". They were set to discuss the current state of the German economy, and how to stem the rapid rise in unemployment and revive ailing east German manufacturing industry. In spite of the fact that both signed the cross-party solidarity pact last March on financing unification, both are now keen to stress their different economic policies.

There is room for manoeuvre on the issue of German participation in UN peacekeeping exercises. Mr Scharping is clearly attempting to push his party, with a strong anti-military, pacifist wing, into permitting wider international participation for the Bundeswehr.

The SPD and Mr Kohl's Christian Democrats are condemned to reach compromises on any issues which require changes in Germany's strict constitution - such as privatisation of state companies, including Deutsche Telekom and the railways. They also

have to negotiate on issues which require the approval of the Bundesrat, the upper house of the German parliament, where the SPD has an effective majority.

Mr Kohl therefore needs Mr Scharping's support if he is to gain approval for his entire package of budget cuts, although the majority can be passed by the Bundesrat, the lower house, alone. He also needs support for plans to launch a new social security system to pay for residential care for the old and handicapped: the government's current project to finance the scheme by cancelling paid sick leave for workers has been furiously opposed by the unions.

They also needed to discuss three key appointments, including the election of a new federal president to succeed Mr Richard von Weizsäcker next year.

Mr Klaus Kinkel, foreign minister and leader of the Free Democrats, who would be excluded from any grand coalition, said he would meet Mr Scharping on Friday.

France gets its cake, and eats it

Alice Rawsthorn and John Thornhill on limiting and attracting foreign investment



MRS Pamela Harriman, the new US ambassador to France, is an unabashed Francophile, but last month she aired a rare grievance against the French government by complaining about the restrictions on foreign investment in its privatisation programme.

The object of Mrs Harriman's criticism was the amendment to the government's privatisation bill to limit investors outside the European Community to a maximum of 20 per cent of the shares in privatised companies.

The US lobby argued that the 20 per cent rule was a protectionist measure reminiscent of the traditional constraints on foreign investors in the French financial markets.

The amendment survived and is now enshrined in the legislation which will shape the new privatisation programme. The 20 per cent rule is really an irrelevance, given that it only applies at the time of the original issue and non-EC investors will then be

free to buy shares on the open market.

However, the incident serves as an apt illustration of France's ambivalent attitude to privatisation. The French are undoubtedly keen to attract investment from foreigners and to enhance Paris's status as an international financial centre.

Yet they are still anxious to protect privatised companies from the rigours of life in the private sector, particularly from the threat of "foreign predators", whether they are from inside or outside the Community.

One of the main achievements of the last centre-right government's 1986-1987 privatisation drive was its success at attracting foreign investment. Until then it had been difficult for foreign investors to buy shares in France given that so many large companies were privately-owned or state-controlled.

The privatisations gave investors away into the Paris market at a time when the UK pension funds were pursuing an aggressive policy of international investment. The proportion of French shares in for-

sign hands has since increased steadily, from 21 per cent to 28 per cent in the past two years alone, according to the Bank of France.

At first glance it looks as though it might be more difficult for the French to attract foreign investment in the new round of privatisations.

First, the financial prospects for French companies are more precarious than they were in the buoyant mid-1980s. At the same time, the privatisation market is more competitive, with an estimated 100bn (667bn) of state shares currently scheduled to come on to the market in Europe.

Second, whereas foreign investors needed to build up French portfolios in the mid-1980s, they now have substantial French holdings. Warburg Securities estimates that the Paris Bourse represents 23 per cent of the value of all continental European equities, but 26 per cent of the average continental portfolio.

However, most brokers and bankers are confident that foreign investors will be willing to increase their commitment

to France in this autumn's sales.

"French stocks are not cheap at the moment and many European investors, particularly in the UK, are already overweight in France, but there is still strong interest in many of the companies scheduled for sale," said Mr David Harrington, equity strategist at James Capel in Paris.

Interest from the US is also likely to be high given that many institutions are in the throes of "internationalising" their portfolios, just as their UK counterparts did during the last privatisation drive. There are even hopes of a strong response from Japan.

"Japanese investors are interested in France, interested in privatisation and, at this time in the cycle, it is a good time to buy," said Mr Alain Cellier, chief executive of Nomura in France. "There is only one caveat - the strength of the yen."

The recent fall of the franc and the rise of the Paris stock market - the CAC 40 index ended last week at a record 2,149.83 - should make French equities seem even more

appealing. It might also lessen the risk of foreign investors switching cash from existing French holdings into privatisation stocks by persuading them to bring new money into France.

However, this influx of foreign funds does not seem likely to trigger the tidal wave of takeover bids that the traditionalists in French finance fear.

The 20 per cent rule is probably the least effective of the government's defensive plays. The others include plans to assemble networks of sympathetic *royaux durs*, "hard core" investors, to support the newly-privatised companies and to introduce "golden shares" to some stocks, thereby enabling the state to block takeovers indefinitely.

The experience of the last batch of French privatisations suggests that such measures may not be necessary. The only one of the mid-1980s privatisations to have come under attack was the bank Société Générale, in an unsuccessful raid mounted in 1989 by Mr Georges Pébereau, the French financier.

Consumer confidence at low ebb in the EC

CONSUMER confidence dropped to record lows in the European Community in June, after slight signs of recovery the previous month, the European Commission said yesterday. Reuter reports from Brussels.

The drop took the EC's measure of consumer confidence back to the level recorded in March and April.

"The loss of confidence is particularly discernible in Spain, Italy and Portugal," the Commission said, adding that Spain and Portugal recording new lows.

"Taking the average for the Community, consumers view their current and future financial situations more pessimistically in June than in previous months."

"They are even more sceptical about the general economic situation: well over half were of the opinion that the situation had deteriorated further in June compared with the same month last year."

The Commission said there was also a distinct absence of cheer from consumers looking at the next 12 months.

As a result of recession, industry, too, saw the future as gloomier, the Commission said. The leading economic indicator for the European Community also dipped to a record low in June after a slight rise in May, losing 0.5 of an index point to 55.6, the Commission said. The previous record low of 56.7 was set in March.

Kurds forced to free UK tourists

KURDISH rebels kidnapped two British tourists from a bus in south-east Turkey but later abandoned them when they themselves came under fire from government troops yesterday, Reuter reports from Ankara.

The Kurdistan Workers Party (PKK) was still holding seven other tourists - three Swiss, one Italian, two Germans and a New Zealander - seized this month to draw attention to their separatist campaign in Turkey's south-east.

A diplomat said the Britons, a man and woman, were seized at a rebel roadblock near the town of Kozluk in Batman province on Sunday evening.

Their kidnappers forced them to walk into the mountains, where they were joined by two Turkish hostages. They spent the night in the rebels' hands but were turned loose in the morning when security forces fired on the area, making their way to the town of Batman.

Security forces killed eight guerrillas in clashes with the kidnappers, the emergency rule governor's office said. The PKK has abducted a total of 27 foreign tourists since 1981 but has released all unharmed, except the seven.

On August 10 the rebels freed four Frenchmen, a Briton and an Australian taken in two separate kidnappings in July.



Russian President Boris Yeltsin and Georgian leader Eduard Shevardnadze meeting at the Kremlin to ease regional tension

Yeltsin, Shevardnadze agree pact

THE Russian president, Mr Boris Yeltsin, and the Georgian leader, Mr Eduard Shevardnadze, agreed yesterday to sign a comprehensive treaty restoring peace in war-torn Abkhazia, agencies reported, Reuter reports from Moscow.

Mr Shevardnadze told the Itar-Tass agency that the

friendship and co-operation agreement between the two former Soviet republics would be signed in September in the Georgian capital, Tbilisi, after a final round of talks.

"Both of us have expressed satisfaction with the first steps towards a ceasefire and the terms for a final settlement of

the conflict," the agency quoted Mr Shevardnadze as saying. The two leaders also discussed ways of helping about 140,000 refugees, who fled the breakaway Abkhaz region over the last 12 months, to return home safely, it said.

Mr Shevardnadze said repatriation of refugees was "per-

haps the most acute problem" after last month's ceasefire in the conflict. He added that the future Georgian state would be determined by a new constitution. Russia, which has strategic interests in the Transcaucasus, helped to mediate the peace deal between Georgia and Abkhazia.

War of words over Baltic pull-out

By Leyla Boulton in Moscow and Matthew Kaminski in Vilnius

THE WAR of words between Russia and Lithuania grew more heated yesterday, after Moscow abruptly broke off talks at the weekend and suspended its troop pull-out from the Baltic state.

President Boris Yeltsin's spokesman warned Lithuania against seeking to apply international pressure on Russia to stick to an earlier agreement to withdraw its troops by the end of the month.

"The striving to inflict pres-

sure through a third country can only cause a negative reaction," Mr Vyacheslav Kostikov was quoted as saying by Interfax news agency.

Lithuania appealed for international help after the Russian foreign ministry issued a surprisingly harsh statement telling Lithuania it no longer considered itself bound to complete a troop pull-out by August 31. Russia said it would withdraw over a period which was "convenient to it" and which Lithuania would be informed of in due course.

The statement accused Lithuania of blocking an agreement and hinted it was annoyed by Lithuanian demands for compensation for damage done by five decades of Soviet occupation.

"Democratic Russia is not responsible for the totalitarian repression of Stalinism. It suffered itself," Mr Kostikov said. While only 2,500 Russian soldiers are left in Lithuania, mainly support staff based in the western port city of Klaipeda, Lithuanian officials said they feared Russia might bring back more troops to strengthen its position.

"We are prepared for the

worst," said Mr Justas Paleckis, an adviser to President Algirdas Brazauskas.

The left-leaning Lithuanian government, surprised by the Russian move, had refrained from joining in the sharp criticism made by the nationalist opposition, led by Mr Vytautas Landsbergis.

Mr Brazauskas, who won February's presidential elections promising to maintain good relations with Russia, appealed for calm in a televised speech on Sunday night. He also expressed a desire to compromise, without condemning the Russian step.

which has been particularly hard hit in recent years by unemployment and company bankruptcies.

Norway's unemployment rate is currently running at a record 8 per cent, including those on government job training schemes. Along with proposed membership of the European Community, unemployment is the single biggest issue in the election campaign.

Key measures in the package include: ● Abolition of corporate electricity taxes, saving industry an estimated Nkr268m annually. Last December the government abolished the tax for energy-intensive industries and the pulp and paper sector,

Brussels to probe service monopolies at airports

By David Gardner in Brussels and Ronald van de Krol in Amsterdam

THE European Commission is investigating complaints from Europe's leading airlines against monopolies providing ground-handling services at airports in Milan, Frankfurt and across Spain.

The complaints, filed by Air France, Alitalia, British Airways, KLM, Lufthansa, SAS and Sabena, could induce Brussels to bring forward deregulation proposals for such services as airport baggage handling and refuelling, analogous to the legislation liberalising air transport introduced in the past six years.

The airlines complain that at a time of unprecedented losses and growing competition as a result of the EC's "open skies" policies, they are subject to high handling costs on the ground, at airports which operate monopolies. "Liberalisation in the air should be followed

by liberalisation on the ground," a statement from KLM said yesterday.

The European Commission would only confirm yesterday that it was investigating three complaints it had received in the last month. Industry sources said there had been more than a dozen complaints.

KLM said that the Italian, German and Spanish airports cited in the EC action had attracted the most complaints from European airlines. But there were also other airports in Europe where competition in ground-handling was non-existent or extremely limited, a KLM spokesman said.

He declined to name other airports but said he thought all European airports charged the same rates as Schiphol in Amsterdam, then KLM would save roughly F125m (€37m) a year in ground-handling charges. These charges at airports where a monopoly is in force can be 50 per cent higher than at airports which allow a

choice of services, the Dutch carrier said.

In the cases of Frankfurt, Milan and the Spanish airport, KLM is allowed to have KLM personnel behind the check-in counters, but it is restricted in how it deploys its own staff.

Ground-handling includes not only passenger check-in but also cargo handling and aircraft refuelling.

A spokesman for the European Commission said Brussels expected a response to the complaints from the handling companies in the next three to four weeks. Officials refused to comment on the likelihood of any action to dilute the monopolies.

But EC diplomats remarked that at a time when Brussels was enforcing competition on hard-pressed airlines, and cracking down on state aid to flag carriers, it would be hard for the Commission to resist their demands for more competition in ground services.

Azeris lose key town

AZERI troops yesterday pulled out of a key town near the Iranian border yesterday in another victory for Armenian forces from the disputed enclave of Nagorno-Karabakh. Reuter reports from Moscow.

Spokesmen for both the Azerbaijan Defence Ministry and the Nagorno-Karabakh administration said the defenders withdrew overnight from Fuzuli, a town of 40,000 people under siege for days by Armenians occupying the hills on three sides. The latest victory brought the Armenians closer to cutting off the entire south-western corner of Azerbaijan, home to some 200,000 people, and risked angering neighbouring Iran.

The Iranian border is just 20km from Fuzuli and the fighting has sent tens of thou-

sands of refugees fleeing towards Iran denounced the Armenian offensive last week, saying it belittled the territorial integrity of Azerbaijan.

Fuzuli is the third big town just outside Nagorno-Karabakh seized by the Armenians in recent weeks, after Agdam to the east and Ceyrayil further to the south-west. The Azeris say they recaptured Ceyrayil at the weekend.

The Armenians, whose military advances have fuelled political turmoil in Azerbaijan, say they have to drive back the Azeri troops to protect Karabakh from shelling. The Azeri Defence Ministry said the Armenians had entered Fuzuli after the withdrawal. But a spokesman for the Nagorno-Karabakh administration said its forces were holding back.

The Karabakh spokesman said Azeri military aircraft had bombed villages in the Martuni and Gadut districts of Karabakh overnight, killing five civilians and wounding 17.

An Azeri Defence Ministry spokesman denied the report. "This is false information," he said. "The Armenians report Azeri air-raids while taking reports of the fighting have been a notable characteristic of the five-year-old conflict, which has taken several thousand lives."

Armenia officially denies taking part in the war, although it supplies diplomatic support for the enclave's claim to independence and the Karabakh Armenians obtain arms and volunteer soldiers from Armenia.

Nkr600m package hangs on election outcome Oslo to boost industry

By Karen Fosell in Oslo

NORWAY'S minority Labour government is planning to introduce a package of measures, valued at an estimated Nkr600m (€55m), in an attempt to create jobs, boost the competitiveness of the country's industry and increase non-oil exports.

The extra funds will be included in the 1994 budget, which is due to be presented on October 13 if the present government retains power after the general election on September 13. Mr Finn Kristensen, the industry and energy minister, made the announcement during a campaign speech in Molde on the west coast of Norway, an area

whose competitiveness had been eroded after Sweden and Finland had in effect devalued their currencies.

● Nkr176m for measures to help industry increase exports and enter rapidly expanding Asian markets.

● Nkr100m to finance development projects in third world countries in which Norwegian companies will participate. Of this total, about Nkr40m will be in export credits to sell domestic goods and services.

Other funds will be allocated to research and development contracts in the private and public sectors and education. A project called "Invest in Norway" will promote the benefits of establishing operations in Norway.

THE FINANCIAL TIMES

Published by The Financial Times (Europe) GmbH, Nibbelingplatz 3, 50118 Frankfurt am Main, Germany. Telephone +49 69 150 630, Fax +49 69 150 64481. Telex 416193. Represented by Edward Hugo, Managing Director, Finance, DVM Druck-Vertrieb und Marketing GmbH, Admira-Rosenfeld by Hürter International (owned by Hürter International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark, London SE1 9PL, UK. Shareholders of are The Financial Times (Europe) GmbH and P.T. (Germany). Shareholder of the above mentioned two companies is The Financial Times Limited, Number One Southwark, London SE1 9PL, UK. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: J. Rolly, 168 Rue de Rivoli, F-75004 Paris Cedex 01. Telephone +33 1 4297-0621, Fax (01) 4297-0622. Printer: SA, Nord 24, 1521 Rue de Caen, F-91000 Roissy. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commissionaire No 678082.

DEUTSCHE FINANCIAL TIMES (Scandinavia) Ltd, Vimeleikagatan 42A, SE-1161 Stockholm, Sweden. Telephone 33 53 33 33.

Public given access to secret files in attempt to quell suspicions

Kennedy assassination archive opens

By George Graham
in Washington

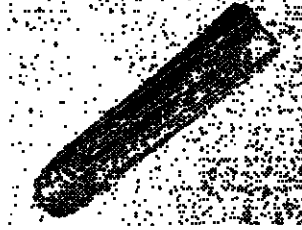
IT IS the ultimate treasure trove for historians, journalists, conspiracy theorists and Kennedy-worshippers: 800,000 pages of documents relating to the 1963 assassination of President John F. Kennedy, released to the public yesterday.

The huge archive was opened for inspection in Washington nearly 30 years after Mr Kennedy's death, following a bill passed in Congress last year that ordered the disclosure of almost all government records on the case.

These include most of the files which have not yet been published from the Warren Commission, which investigated the assassination under the chairmanship of former Chief Justice Earl Warren, as well as documents from congressional committees and 90,000 pages from the Central Intelligence Agency.

Early finds in the CIA records include a secret internal memorandum speculating that the Soviet Union had most to gain from the assassination, although offering no evidence of Soviet involvement.

The Warren Commission's



A photograph of the fatal bullet was released yesterday

central conclusion, that Mr Kennedy was killed by Lee Harvey Oswald acting alone, has been backed up by most serious inquiries since then.

with the exception of a 1979 House of Representatives select committee chaired by Mr Louis Stokes, an Ohio Democrat, which found that a second gunman probably fired at Mr Kennedy and missed.

Most recently, pathologists and doctors who examined Mr Kennedy's body in Dallas in 1983 reaffirmed in the Journal of the American Medical Association their original finding that the president was struck by only two bullets, one of which caused the head wounds that killed him. Both were fired from above and behind, they said.

Nevertheless, US public opinion has never accepted this verdict, preferring a series of theories involving a second assassin, as well as Cuban, Russian, Mafia or CIA backing for Oswald. Oswald himself was shot before standing trial.

Even in the 1980s opinion polls showed two thirds of those questioned believed there was a conspiracy to kill Mr Kennedy, compared with only 13 per cent who believed Oswald acted alone.

Mr Oliver Stone's film JFK last year brought a new intensity to the already thriving conspiracy industry.

'Barefoot doctors' wage war on Brazil's other child killers

THE brutal killing of eight street children in Rio recently thrust Brazil into the headlines, but the lives of many more children are being claimed by a lower-profile killer. Victims of a woeful lack of basic sanitation and inadequate food, 30,000 infants die each year in the country's impoverished north east for want of minimum health care.

While for the most part Brazilian authorities have failed miserably to provide basic services, one of the country's poorest states is showing that with the political will it is possible to improve the situation.

In just three years the north eastern state of Ceara has slashed infant mortality by a third through a cheap and simple project of door-to-door basic health assistance.

Its efforts were recognised in May with Unicef's Maurice Pate prize - the first time the award has gone to a state rather than an institution. Mr Agop Kayayan, Unicef representative in Brazil, describes the Ceara project as "a model not just for Brazil but for the world".

Every day throughout Ceara an army of health agents sets out by foot, donkey, canoe or bicycle, wearing white shirts marked with blue crosses and carrying rucksacks containing scissors, soap and portable scales. Most are young women, many are semi-literate, but they criss-cross thousands of miles of scrubland like latter-day missionaries bringing health care to people who have never seen a doctor in their lives.

In the small town of Mangueira, 24-year-old Mariuza Oliveira da Silva is doing her rounds. Entering a wattle and daub shack where a family of seven live amid squalor, she reminds the mother to wash the children's hands and keep their hair and nails clean.

Using a sling scale she weighs the seven-month baby and marks his progress on a chart. Noticing that it is dangerously near the red warning line for severe malnutrition, she stresses the need for breast-feeding and explains how to mix re-hydration salts to cure diarrhoea - the biggest killer of young children.

The scheme was created in 1988 by Mr Tasso Jereissati, a businessman elected state governor. Horrified by the infant mortality rate, which was among the highest in the world

Christina Lamb joins a health army on foot, donkey, canoe or bicycle in poor north east

at about 100 per 1,000, he ordered a survey which found 48 per cent of the deaths of young children were caused by dehydration from diarrhoea. Although the real cause was lack of sanitation, which requires heavy investment, its effects can be easily cured through oral re-hydration therapy - a packet of salts costing 10 cents.

Helped by Unicef and under the direction of Mr Carilil Lavor, a hygienist familiar with the barefoot doctors scheme in China, a programme was set up to train 3,000 health agents in hygiene, prenatal care, re-hydration therapy, vaccination and breast-feeding. Each agent attends about 150 families for a monthly salary of \$50 (\$40), reporting every month to a trained nurse in a

municipal centre. In the first three years infant mortality was reduced by 32 per cent from 85 per 1,000 live births to 55 and Ceara has gone from last place among Brazilian states in terms of percentage of children vaccinated to first. Moreover, the scheme provides work in a state where 40 per cent of the working population are unemployed or under-employed.

The most remarkable thing is that this was carried out in Brazil's third poorest state and one which was completely bankrupt when Mr Jereissati took office as well as suffering the harshest drought this century. More than half the 6.6m population have no sewers or running water and two thirds live below the poverty line.

But Mr Jereissati points out



Guardian angel: a health agent in the town of Mangueira, where success has bred acceptance

that the real problem in Brazil is not money. "Our achievements were far less to do with resources and far more to do with changing the posture of the administration and involving the community. When I took office we found vaccines rotting in stores."

Mr Kayayan says that the Ceara government is probably saving money. "There is no comparison between the 30 cents needed to cure an attack of diarrhoea or \$5-\$10 for a complete set of vaccines and the cost of a child occupying a hospital bed."

Although the health agents are paid by the state government, they are chosen by the communities, a revolutionary idea in a still feudal state. Such a break with convention made the scheme difficult to implement, Mr Jereissati says.

"We met lots of resistance from politicians who resented the loss of patronage and thus control over the electorate." One mayor even greeted the co-ordinators with a revolver. To give the idea credibility, they involved the church, university and paediatric society on the basis that if the priest and the doctor say it is good, it must be.

Even so, some of the local population were unhappy at intruders coming into their houses and health workers felt uncomfortable lecturing about hygiene when families obviously had no food in the house. But Nurse Madalena Pinheiro, who co-ordinates a team of 80 agents in Mangueira, says: "It's possible even when people are on very low income to do a lot because they have very little knowledge about such basic things as brushing teeth, keeping hair clean, not leaving faeces on the ground and which foods are most nutritious."

Success has bred acceptance and the new governor, Mr Ciro Gomes, a political ally of Mr Jereissati, has expanded the scheme to 7,300 agents attending 4m people.

Describing them as "Ceara's guardian angels", he says their value became clear during the recent cholera epidemic as they were able to catch cases early and stop the disease spreading.

The greatest accolade, perhaps, is that governors from three other north eastern states have asked Unicef to help them set up the same scheme.

Argentina accuses UK on US radar sale

ARGENTINA yesterday accused Britain of trying to block the sale of advanced US tactical radar for its air force, but predicted that the effort by its former foe would fail, Reuter reports from Buenos Aires.

"The pressure from Britain is there, but we think it is being overcome," Mr Fernando Petrella, deputy foreign minister, told a radio interviewer. "We hope it will not succeed."

He was commenting on a report in the daily Clarin which said London was pressing Washington to ban the sale of advanced radar to equip three dozen ageing Skyhawk fighter aircraft.

Mr Oscar Camillon, the defence minister, made similar charges in a separate radio interview, blaming London for what he described as US reluctance to allow Argentina to purchase the radar together with the aircraft.

"The objections are coming from the US State Department... this is apparently due to British pressure," he said.

The British embassy in Buenos Aires declined to comment. Argentina is buying the Skyhawks from the US to replenish its forces, decimated during the 1982 conflict with Britain over the Falkland Islands.

The two countries re-established full diplomatic links in 1980. Mr Douglas Hurd, UK foreign secretary, visited Buenos Aires in January and his counterpart Mr Guido di Tella is due in London later this year.



National Opposition Union (UNO) leader Alfredo Cesar is used as a human shield at UNO headquarters by pro-Sandinista gunmen

Twenty hostages freed by Contras

HOPES rose yesterday of an end to Nicaragua's hostage crisis after rival groups of gunmen freed some of their prisoners, officials said, Reuter reports from El Zungano, northern Nicaragua.

In a stand-off which reflects the bitter divisions left by the country's brutal eight-year civil war, armed gangs of the left and right are holding more than 40 officials, politicians and journalists at two sites in different parts of the nation.

A group of former US-backed Contra rebels in the remote northern village of El Zungano freed 20 of their 38 prisoners late on Sunday after talks with envoys including Organisation of American States representative Mr Sergio Caramagna.

Mr Caramagna said he hoped the rebels, led by former Contra José Angel Talavera, alias El Chacal (The Jackal), would free the rest of their hostages shortly.

Last Thursday Mr Talavera seized 38 government officials,

soldiers and leftist Sandinista politicians who had travelled to El Zungano to try to persuade him to lay down his arms.

He originally demanded the firing of armed forces chief General Humberto Ortega and presidential chief-of-staff Mr Antonio Lacayo, whom he accused of plotting to allow the former governing Sandinistas to continue ruling Nicaragua despite their 1990 election defeat by President Violeta Chamorro.

In Managua, a group of around eight pro-Sandinista gunmen retaliated on Friday against Mr Talavera's hostage-taking by seizing the headquarters of the conservative National Opposition Union (UNO) party, taking prisoner Nicaragua's vice-president Virgilio Godoy and several dozen UNO leaders.

The group freed 14 prisoners on Saturday and two more on Sunday. However they also took about eight journalists hostage on Sunday.

Fishermen agree end to Valdez blockade

By George Graham

ALASKA'S Valdez oil terminal opened again yesterday after fishermen agreed to end a blockade provoked by their complaints that the effects of the 1989 Exxon Valdez oil spill had devastated their salmon catch.

Mr Bruce Babbitt, US interior secretary, intervened in the dispute on Sunday, harshly criticising Exxon, the oil giant, for refusing to meet the fishermen.

He also persuaded the protesters to move their fishing vessels from the Valdez narrows, where they had prevented at least seven oil tankers from docking to take on Alaskan crude oil.

The Alyeska pipeline which ends at Valdez handles about a quarter of US crude oil production.

Mr Babbitt also promised action at a meeting in Anchorage yesterday to clean up the operation of the \$900m (\$804m) trust fund set up with Exxon money after the Exxon Valdez disaster.

The fund, administered by federal and Alaskan officials, has been harshly criticised in a new report from Congress's General Accounting Office, which found that most of the \$300m it had spent so far had gone to reimburse state and federal agencies, and Exxon itself, for past clean-up work, and for administrative and legal expenses.

The GAO said the trust fund had approved projects which "either do not appear to be directly linked to the oil spill or appear to duplicate existing responsibilities of federal and state agencies".

Congressman George Miller, who commissioned the report, added that "the bureaucrats gave top priority to feathering their own nests with reimbursements and gold-plated studies of questionable merit."

Mr Babbitt promised he would urge the fund's trustees at yesterday's meeting to devote more money to buying land to protect the rivers where salmon spawn.

Exxon said no scientific link had been established between this year's low pink salmon catch and the 11m gallons of oil its tanker spilled into Alaska waters when it ran aground in 1989.

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Brazilians use the Beetle for trip into past

By Angus Foerster in São Paulo

THE FILM Back to the Future relied on an out-dated De Lorean sports car for its trips through time, but Brazil yesterday started its own journey into the past with the relaunch of the Volkswagen Beetle, out of production since 1986.

The relaunch followed agreement in February between President Itamar Franco and Autolatina, the joint venture between Volkswagen and Ford which is Brazil's biggest vehicle maker.

The president wanted lower-priced, "popular" cars, while Autolatina saw the chance for a publicity coup and a way to extract tax concessions from the government.

The car was launched at a ceremony yesterday in Autolatina's largest Brazilian factory in São Paulo. It was attended by the president, several ministers and Mr José Ignacio López de Arriortua, Volkswagen's director of production.

The Beetle's popularity in Brazil is partly sentimental. It was the first car to become affordable to the middle classes

in the 1960s. It can also handle the country's battered roads and is easy to repair.

The "Fusca", as the Beetle is known in Brazil, has a newly-installed catalytic converter and electronic ignition. Otherwise it is almost identical to the old model which ceased production seven years ago.

The relaunch has fired mixed emotions. Some businessmen have dismissed it as an unwelcome irrelevance when the Brazilian car industry is trying to upgrade.

The industry, which includes Fiat and General Motors, is expected this year to regain from Mexico its position at the top of the Latin American league.

Autolatina's unions are sceptical of the relaunch, even though it will create about 8,000 jobs. They claim Autolatina's total investment of \$30m (\$29m) is small and the car's estimated sale price of \$7,200 puts it out of reach of most Brazilians.

One union leader even grumbled that, given the money, he would rather buy a Gol, another of Volkswagen's Brazilian models.

I sleep in all the bedrooms.
I know them well.

The Goring Hotel. American Express Cardmembers welcomed since 1974.
George Goring, owner. Cardmember since 1981.

That'll do nicely. →

NEWS: INTERNATIONAL

Saudis widen political horizons

By Mark Nicholson in Cairo

DIPLOMATS yesterday welcomed the naming of the 60 people who will sit on Saudi Arabia's new consultative council as the most important political change in the kingdom since it became a state more than 60 years ago.

King Fahd's weekend announcement, which fulfilled a promise made more than 15 years ago to open up his kingdom's secretive, family-run government, was welcomed as "remarkable" in the context of the Gulf's most powerful and conservative state.

"It's an important step," said Mr David Gore-Booth, Britain's ambassador in Riyadh.

The setting up of the Shura council, as it will be known, will bring Saudi Arabia in line with other Gulf states, including Kuwait, Oman and Bahrain. These states have taken steps of varying degrees towards broader political participation since the Gulf war, partly because of the intense western scrutiny of their political systems which came with the war.

The new Saudi council will be free to advise and criticise the government but has no legislative powers.

Its creation falls well short of anything like a shift towards western-style democracy. Its members are appointed to their four-year terms by the king, who retains the final say in all policy decisions.

However, its constitution will allow the first institutionalised political participation for Saudis outside the royal family.

"It represents a realisation that you can no longer run a country which has had modernity thrust upon it with ancient methods," said one Gulf analyst. "It's an implicit dilution of absolute power."

In a further move to open up the kingdom's closely held government, King Fahd also announced that all ministerial terms would be limited to four years, subject to possible extensions. Saudi ministers have hitherto enjoyed almost indefinite tenure.

The list of council members is a broad and carefully balanced selection of academics, military men, journalists, doctors, businessmen, deputy ministers, lawyers, religious scholars and poets.

Few are well known outside the kingdom and many obscure inside it, reflecting the kingdom's lack of a public political culture.

More than half the new members hold doctorates, many from US or other western universities. Many observers feel that it is not quite western, the council as a whole is well acquainted with the west. "We can say that it's not entirely weighted in the direction of the conservatives," said one diplomat.

No date has been set for the first meeting of the new council, which will convene at least once every two weeks. It will do so in a building in Riyadh's diplomatic quarter which was completed, along with electronic voting equipment, in the late 1970s and has awaited a role ever since.

Algeria's PM is casualty of his 'war economy'

Francis Ghilès on the problems inherited by a new prime minister after the failure of the last one

DURING the 13 months that he was prime minister of Algeria, Mr Belaid Abdessalam displayed a genius for putting people's backs up. His appointment, in the wake of the slaying of president Mohamed Boudiaf, owed much to his reputation for decisiveness, a reputation which he gained when he was Algeria's economic overlord from 1985 to 1978.

Mr Abdessalam was sacked at the weekend and replaced by the minister of foreign affairs, Mr Redha Malek, one of the five members of the High State Council (HCE) which has ruled Algeria since the forced resignation of Mr Chadli Bendjedid in January 1992.

Mr Abdessalam's dismissal is the direct consequence of his unwilling-

ness to usher in essential economic reforms and broker an agreement with the International Monetary Fund. Both are essential if the spiral of economic decline, one of the chief causes of unrest, is to be reversed.

Despite many brave words, Mr Abdessalam's "war economy" has left the country's factories and finances in a more parlous state than a year ago. His campaign to clear out corruption and stamp out the black market has come to nil. Ordinary Algerians who believed his promise that their standard of living would not suffer from economic reforms feel betrayed.

The former prime minister proved only too true to his past. He re-imposed tight state control on foreign trade and refused to allow the

dinar, which had lost half its value between 1989 and 1991 - the two years during which Algerian leaders were implementing bold reforms aimed at liberalising their country's economy - to continue depreciating. Massive injections of cash into state companies which remain un-reformed has turned a budget surplus equivalent to 2.4 per cent of gross domestic product in 1991 into a deficit of 14.2 per cent this year, and pushed inflation beyond the 30 per cent mark.

Mr Abdessalam's policies have ruled out any agreement with the IMF. The one-year standby agreement reached in June 1991 was suspended in December that year.

Officials at the IMF, the World Bank and the European Commission

privately bemoaned what they felt was Mr Abdessalam's lack of understanding of economics. They regretted his suspension of key articles of the Law on Credit and Money which, in April 1990, opened Algeria to foreign investment and which, by December 1991, had led 131 foreign companies to sign joint ventures with planned investments of \$2bn.

The appointment of Mr Malek as prime minister has been welcomed by senior European and US officials. He is known as an implacable opponent of the populist Islam propagated by the now banned Islamic Salvation Front (FIS).

Mr Malek knows that some kind of agreement with the IMF and Algeria's leading creditors, notably

France, is indispensable. His government is expected to seek a dialogue which would enable Algeria to loosen the noose of the country's \$26bn foreign debt. Servicing that debt absorbs three-quarters of export earnings.

The new French foreign minister, Mr Alain Juppé, gave public support to the Algerian leaders in their fight against the FIS earlier this summer. A reversal of the policy pursued by the former Socialist administration by Western countries appear to be prepared to turn a blind eye to the abuses of human rights so long as economic reforms are pursued. The growing violence in Egypt and the fear of the consequences of FIS propaganda among poor north African immigrants in France has made

French politicians more cautious about castigating its former colony for being undemocratic. Indeed, Mr Malek has had some success in convincing US, French and Italian officials that a FIS victory would not usher in a period of democracy.

Unlike many of his peers, who professed to believe in democratic elections, Mr Malek never bothered to hide his contempt for what he described as the "demagoguery" of those, on both sides of the political spectrum, who professed to build a democracy out of the ruins of a single-party state overnight. He consistently argued that until the economy was reformed and the authority of the state vested in competent and cleaner hands, free and fair elections were a chimera.



A Khmer Rouge follower holds his child while seeking refuge near the Thai border. Cambodia's coalition government army had been shelling a rebel-held village forcing 540 villagers to flee.

Bitter fight under way to succeed Mahathir

DR Mahathir Mohamad, Malaysia's prime minister, is an apparently fit and very active 68-year-old who shows no sign of retiring. But to judge by the bubbling cauldron that is Malaysian politics these days, it is as if Dr Mahathir, prime minister for the past 12 years, is already preparing to go.

A bitter battle is developing over who will succeed Dr Mahathir. In November the United Malays National Organisation (Umno), the country's dominant political party and main grouping within the ruling Barisan Nasional (National Front) coalition government, holds elections for party posts.

No one is likely to challenge Dr Mahathir's party leadership. But the contenders are out for the post of party No 2. The theory is that whoever emerges as deputy will one day inherit the Mahathir mantle and with it power and influence over almost every sector of the nation's life.

There are two main candidates for the post, representing very different strands in modern Malaysia. The present incumbent and deputy prime minister, Mr Ghafar Babar, is the same age as Dr Mahathir, and is a long-time Umno stalwart, renowned for his contacts with the rural voters.

Mr Ghafar describes himself as "just a kampung (village) boy" and has no claim to great intellectualism but feels that he has earned, through hard work and loyalty to his leader, the right to succeed Dr Mahathir when the prime minister eventually retires.

Mr Anwar Ibrahim, the finance minister and Mr Cha-

Kieran Cooke on the contest to be No 2

far's opponent in the contest, is a very different kind of politician. Still only in his mid-40s, Mr Anwar has had a meteoric rise through party ranks. Suave and urbane, his conversation peppered with literary and scholarly references, Mr Anwar is said to represent the Malay baru or new Malay, modern in outlook, a man capable of carrying through the ambitious Mahathir vision of making Malaysia a fully industrialised nation by the year 2020.

Mr Anwar, declaring his candidacy yesterday, said he wanted to help make Umno a party of the 21st century. But to an outsider Malaysian politics seems very traditional. Politics is segregated along strictly racial lines: the Malays, who make up just over 50 per cent of the population, join Umno while other races, mainly Chinese and Indians, have their own parties.

While the Chinese still control a large slice of Malaysia's economic activity, the Malays, through Umno, are the political masters of the country.

Umno leaders deny the party is involved in business. But commerce and politics are closely related in Malaysia. Umno in particular has built itself up into a considerable business - as well as political - force. The financial community talks openly of Umno-con-

nected companies and business people.

Analysts of Kuala Lumpur's thriving stock market look as much at who is in or out of political favour as they do at company balance sheets in assessing market performance.

Mr Anwar's opponents say the finance minister has raised a vast monetary war chest to further his cause: his supporters are widely credited with having engineered a M3800m (£210m) management buy-out earlier this year of the country's biggest newspaper group and TV station. Opponents say national news is now increasingly favourable to Mr Anwar.

Mr Anwar's supporters are also believed to be linked to a company that has gained control of a M33.5bn private power project, the biggest such scheme in the country.

The finance minister has strongly denied the talk about political fund-raising and has accused his rivals of spreading malicious gossip.

Dr Mahathir has chosen the role of elder statesman. He has insisted he is strictly neutral in the contest. But the prime minister has spoken out against money politics.

"It is the thin end of the wedge," he said. "Give a person 10 dollars and they will want more."

Dr Mahathir is also concerned about the damage a bruising contest between Mr Ghafar and Mr Anwar will do to Umno unity. In 1987-88 a party split almost caused Dr Mahathir to lose power.

Political analysts say a general election is likely early next year, both to renew Dr Mahathir's mandate and also



Ghafar Babar (above) and Anwar Ibrahim: style contrast



to heal the political wounds that might be inflicted in the coming contest.

Malaysia is seen as one of south-east Asia's most politically stable countries - a key factor in attracting millions of dollars of foreign investment. Dr Mahathir insists stability will be maintained.

"We [in Umno] are quite rational people... we don't have that kind of very violent antagonism towards each other or total inability to work with each other," said the prime minister in a recent interview. That view will be put to the test over the next two months.

Fall in Japan's capital spending seen

By Michio Nakamoto in Tokyo

CAPITAL spending by Japanese companies is set to fall this year for the third year running, according to a bank survey published yesterday, highlighting the continued weak state of the country's economy.

In a survey of 1,544 companies, Nippon Credit Bank found that planned capital spending for fiscal 1993 was down 3.5 per cent from the

level given in a similar survey in February. This meant planned capital investment for the fiscal year would be 3 per cent lower than in the previous year. It was the first time in seven years that the level of planned capital investment had fallen between February and August, the bank said.

Capital spending planned by manufacturing companies was down by 15.2 per cent, marking the second double-digit decline in two years. Capital

spending by manufacturing companies had fallen by 18.8 per cent in fiscal 1992. Nippon Credit Bank also said that although non-manufacturing companies planned to increase capital spending by 1.5 per cent on the previous year, if utilities and leasing companies were excluded, planned capital investment would fall by 7.6 per cent.

Evidence of Japan's economic slump continued to surface. Toyota, Japan's largest

car-maker, said it was temporarily transferring 175 employees to a group subsidiary. Production at the subsidiary, which makes bodies for recreational vehicles, one of the most active market sectors, was expected to grow, while Toyota's own production had been slowing.

Asahi Glass, a leading glass-maker, is closing a car-window glass factory because of the slowdown in the domestic motor industry.

Russians hope to repay S Korea with missiles

RUSSIA hopes to repay \$1.47bn (298m) borrowed from South Korea by providing the Seoul government with high-tech missiles, fighter jets and other cold war-era weaponry, a Russian official said yesterday, AP-DJ reports from Seoul.

Russia's deputy prime minister, Mr Alexander Shokin, who arrived in Seoul on Sunday for a four-day visit, said he would offer the proposal to

South Korean officials today.

They have said in the past they would consider such an offer, even if only to have training equipment similar to that used in North Korea. The former Soviet Union long was a weapons supplier to North Korea.

Russia is unable to repay the loans or to meet \$68m interest payments because of economic difficulties, Mr Shokin said.

Hosokawa stresses quality of life as goal of policy

By Gordon Cramb in Tokyo

MR Morihiko Hosokawa, Japan's prime minister, yesterday said the country needed to bring down its current account surplus "not just to maintain good external economic relations but also to improve the quality of Japanese life".

In his first policy speech to the Diet (parliament), he said he would seek to make Japan "a country of quality and substance", at ease with the world and with itself.

He also pledged political reform by the end of the year, in what is the main aim of the seven-party coalition, which this month displaced the long-ruling Liberal Democratic party. However, he was vague about the shape of the reform, over which the partners are still divided.

His address contained no new initiatives but appeared to indicate a number of shifts in emphasis. He placed greater stress than before on the funding of parties and politicians as a source of corruption. Such contributions would be replaced by "neutral, untainted public funding and other provisions", he said, in a reference to possible tax incentives for individual donors.

The coalition's ability to curb corporate contributions without being seen as victimising the LDP was given a strong boost last week when the Keidanren, the leading business grouping, said it would stop acting as a conduit for political funds - nearly all of which went to the LDP.

Mr Hosokawa took care to note the difficulties caused by Japan's high current account surplus in relations with the US and EC. He intended to seek its reduction by working for "expanded domestic demand and improved market access, and for such consumer-oriented policies as rectifying the disparity between domestic and international prices and promoting deregulation".

This was the approach announced following a meeting of economic ministers last Thursday. The US Federal Reserve stepped in later that day to assist the Bank of Japan in stemming a rise in the yen, which Washington had recently been thought to favour as a way to curb Japanese exports. Although the countries deny having done a deal, the move also followed a telephone conversation that day between Mr Hosokawa and President Bill Clinton.

The two are to hold a summit in late September, following framework talks earlier in the month on trade issues which Mr Hosokawa said were crucial. Japan may again need the Fed's assistance before that - the yen rebounded by 11.10 against the dollar in Tokyo yesterday to ¥103.35.

The prime minister was otherwise cautious on international issues. Noting that "protectionist moves seem to be on the rise", he said failure of the Uruguay Round of trade talks would "have a grave impact on the world economy". But he referred only obliquely to the problem of Japan's refusal to open its rice market, saying agriculture was a difficult issue for all countries and he would seek a solution based on "mutual co-operation under our basic policy".

Mr Hosokawa expressed remorse and apologies for war actions "including aggression and colonial rule". Under evident pressure from conservatives in the coalition, he added that there were also "supreme sacrifices made during the war" by Japanese.

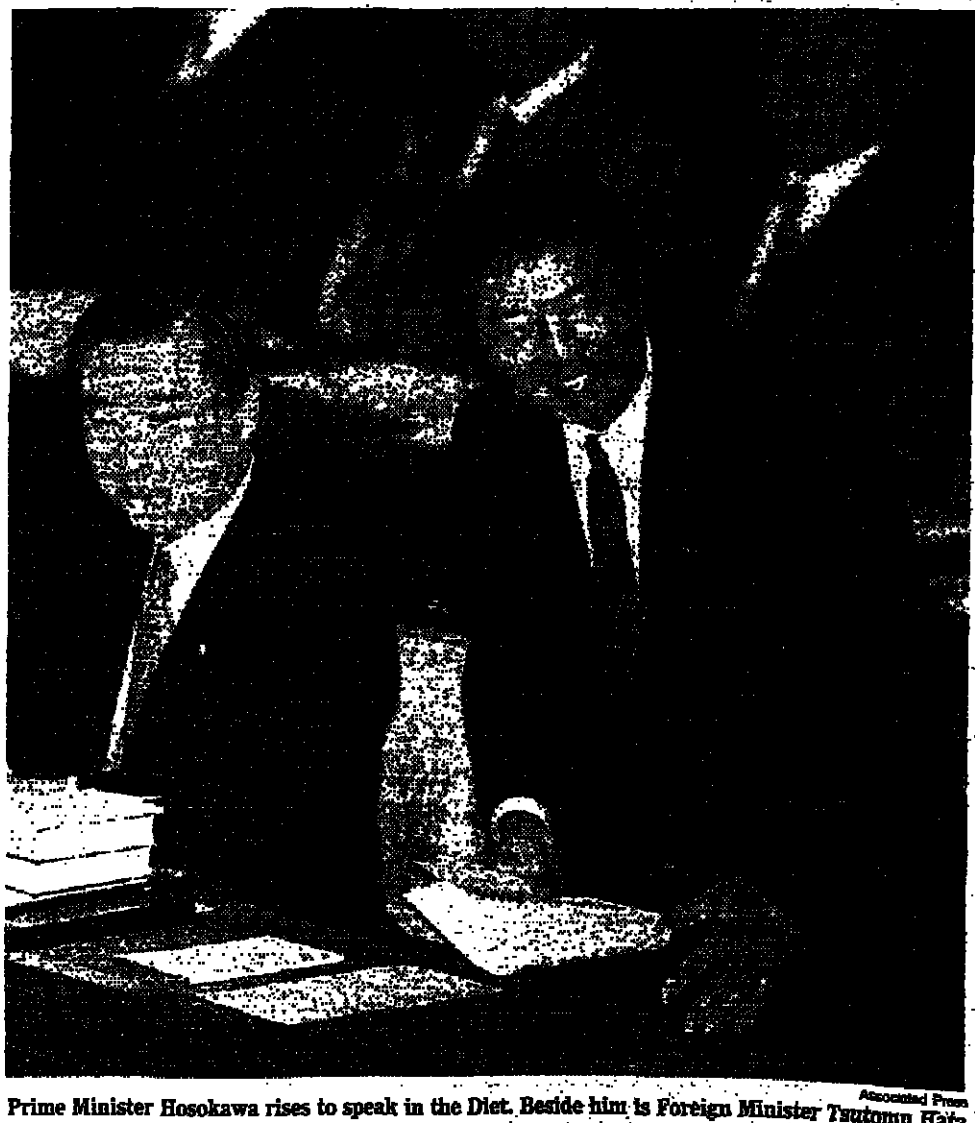
For the future, he said Japan must avoid "falling prey to great-power ambitions" but should become "a country of

unpretentious excellence" in government, business and everyday life. His phrase recalls the "lifestyle superpower" envisaged by Mr Kiichi Miyazawa, his LDP predecessor, but with a stronger commitment to social justice and consumer interests.

Mr Yoshi Kono, leader of the LDP, members of which heckled repeatedly during the speech, said afterwards: "He speaks of reform but he is adopting a conventional policy line."

Mr Hosokawa said Japan's ageing society made a review of the tax structure a priority, to balance income, property and consumption taxes. The Social Democratic party, the largest coalition member, has opposed suggestions by some of its partners that consumption tax should be increased from the present 3 per cent.

Reflecting the mixed signals from official data, Mr Hosokawa said there were indications that "the domestic economy is finally emerging from the depths into which it was thrown" but "it would not do to take economic recovery for granted". His aim was to "create a climate conducive to the freer exercise of private-sector initiative".



Prime Minister Hosokawa rises to speak in the Diet. Beside him is Foreign Minister Tsutsumi Hata

Nigerian military faces protests

NIGERIA's pro-democracy campaign groups have called a three-day stoppage to back Mr Moshood Abiola's claim to be the next president and to oppose the military regime's plan to hand over to an unelected interim government on Friday, writes Paul Adams in Lagos.

The two previous civilian protests organised by the Campaign for Democracy in recent weeks halted normal business life in the commercial capital, Lagos, and other parts of the Yoruba-speaking south-west, the stronghold of Mr Abiola, but failed to make an impact in the east or north of Nigeria.

Although the CD lacks a national network, it has done more than any other organisation to voice dissatisfaction with President Ibrahim Babangida's eight-year-old regime, which has four times postponed its promised transition to democracy. The protest is aimed at building up pressure on the government to step down before Friday, when the Nigeria Labour Congress has threatened a national strike. The military regime is due to name the members of a civilian-led interim government tomorrow.

ANC accused over prisoners

A commission of inquiry in South Africa has found that the African National Congress tortured, mistreated and in some cases killed prisoners detained in its prison camps outside South Africa in the 1980s. But it stopped short of blaming senior ANC officials for the abuses, writes Patti Waldmeir in Johannesburg.

In a report released yesterday, a three-man commission appointed by ANC president Nelson Mandela echoed criticism from an earlier internal commission of inquiry, saying that ANC security officers had beaten, tortured, detained without trial, and in some cases executed detainees. But it named only two senior ANC officials and accused them of relatively minor abuses.

More serious findings were made against members of the ANC's security branch, and the commission recommends that they be disciplined under the ANC's internal code of conduct.

Iraq wants end to trade sanctions

Iraq insisted yesterday that technical talks with the United Nations on August 31 should also discuss Baghdad's demand that trade sanctions be lifted. AFP-DJ reports from Amman.

An Iraqi foreign ministry statement confirmed that Baghdad would take part in the talks, aimed at resolving an impasse over deployment of monitoring cameras at Iraqi missile sites. The cameras have been installed, but are not yet switched on, pending the outcome of the New York talks.

The ministry said Iraq wants the talks to include the possible lifting of international sanctions imposed on Iraq after its invasion of Kuwait in August 1990.

Taiwan president cements control

Taiwan's President Lee Teng-hui gained firm control over the ruling Kuomintang's highest policy-making body yesterday, with progressive politicians loyal to him sweeping elections to the party's central standing committee, writes Dennis Engbarth from Taipei. Conservatives, who previously held nearly half of the committee's 31 seats, retained just two.

To explain how Club World is changing we'd like to take you on a 10 hour flight. Have you got 2 minutes?

Clutching your tightly packed briefcase, you make your way through the tightly packed airport. People. Noise. More people. You're just preparing yourself to do the passport control shuffle when hold on, you're leaving everyone behind.

You're sailing through your own separate security channel.

As you drift through the doors of the new Club World Lounge, you hear something strange.

What is it?

Absolutely nothing.

You haven't heard that

for a long time. Listen,

there it is again.



Your flight announcement prises you out of the sofa and into... that old armchair of yours.



Wait a whoooooooooops, your armchair never felt this good. And where did that foot rest come from?

Oh well, just lie back and think of... dinner.





*A choice of four leisurely courses
over three and half hours
or a lighter meal over a mere
60 minutes*

So you could stop here

Or go on

And on and on

*And to follow, may we recommend
a small slice of escapism*

You turn  your personal seat-back video. Looking  to your choice of  channels of entertainment, you let your mind switch .

You've seen the film, now read a booklet: 'The Well Being in the Air Programme.'

Let's just try a few exercises.

Stirrretch your arms and breeeeeee the...

clockwise (gosh, is that the time already?)

Breathe innnnnnn and out... innnnnnn and out... eyelids getting heavy... that's it... good...

AWOKEN by a gentle alarm call and, exactly when you ordered it, breakfast.

Tropical fruit or Birchermuesli

Orange juice or Energiser drink

Eeni, Meeni, Miney or Mo



Right, let's have a quick look at the presentation. *no it's not.*

This seems to be a problem. We just need to be more decisive on this. *or do we?*

Before you know it, you've landed.

Please remain reading until the ad comes to a complete halt.

Congratulations. You've just flown around the new Club World in 80 lines.

CLUB WORLD
BRITISH AIRWAYS
The world's favourite airline

NEW SEAT AND VIDEO CURRENTLY AVAILABLE ON 60% OF AIRCRAFT.

NEWS: WORLD TRADE

Plan to transfer technology to East Germany denied

Miti probes Toshiba chip export claim

By Michio Nakamoto in Tokyo

JAPAN'S Ministry of International Trade and Industry is investigating a claim that Toshiba, a leading electronics maker, had agreed to transfer technology to former East Germany that would have breached an internationally agreed export ban to communist countries.

Mr Masayoshi Takemura, chief cabinet secretary, confirmed Miti was examining the allegations, contained in a Japanese daily newspaper.

The Sankei Shimbun newspaper claimed Toshiba had agreed in 1986 to transfer semiconductor chip technology to East Germany that would have breached rules set up by the Co-ordinating Committee for Multilateral Export Controls (Cocom). The group was set up in 1951 by Nato to monitor and control the export of products and technical data of potential strategic value to Warsaw Pact countries and their allies.

The newspaper said it had secret documents from East Germany indicating that Toshiba and Mitsu, the trading house, had agreed to help build a factory to manufacture 256-kilobit dynamic random access memory chips.

Toshiba, however, scrapped the deal after it was revealed in 1987 that a subsidiary of the company had exported machine tools to the former Soviet Union. This resulted in the company being excluded from US government procurement for three years.

Toshiba yesterday denied the latest allegations, saying it had made no agreement with East Germany on the transfer of semiconductor technology. The company said it followed strict export guidelines.

Toshiba said that between 1986 and 1987 the East German government had asked it to



Takemura: confirmed probe

transfer technology for the manufacture of printed circuit boards and transistors for colour televisions, neither of which would have been in breach of Cocom rules. Mitsu was involved in the talks.

When the sales of machine tools to the Soviet Union came to light in March 1987, Toshiba cancelled the TV transistor technology contract it had signed with the East Germans and called off talks on the transfer of circuit board technology.

Miti said it had investigated the chip issue in 1988 - finding no evidence that Toshiba had agreed to transfer semiconductor technology to East Germany - but was re-investigating since fresh allegations had surfaced.

Cocom still prohibits the transfer of technology for the manufacture of certain advanced semiconductor chips and the export of some semiconductor manufacturing equipment.

A\$2.4bn Australian rail link proposed

FRANCO-BRITISH engineering company GEC Alsthom NV wants to build a high-speed rail link between Sydney and Canberra, government officials said on Monday. Reuter reports from Canberra.

Work would start on the A\$2.4bn (£1.1bn) project in 1996 and Speedrail, as it is dubbed, would be running by 1999, according to the proposal.

Industry minister Alan Griffiths wants to meet the developers, a government spokesman said. "Obviously this is a project of national significance - we'd like to discuss it further."

GEC Alsthom is half-owned by Britain's General Electric Co and Alcatel Alsthom SA of France, a spokeswoman for the company's Sydney subsidiary said.

The trains, modelled on the Train à Grande Vitesse now operating in France, would travel at 350 km (217 miles) an hour and take 75 minutes to cover the distance between the nation's capital of Canberra and the country's most populous city.

A second stage linking Melbourne, Adelaide and Brisbane with Sydney and Canberra is also being studied, the sources said.

The developers have sent their proposal to the federal, New South Wales and Australian Capital Territory governments.

GEC Alsthom would supply the rolling stock for the project, which would create up to 35,000 jobs, the sources said.

A similar plan was proposed by a consortium led by Broken Hill Pty but shelved in 1991 after the federal government refused developers' request for tax breaks during the construction phase.

The Speedrail proposal makes no such request. About 80 per cent of the projected cost is expected to be spent in Australia, the sources said.

GEC Alsthom last week won a contract to help build a 400 km high-speed rail link in South Korea, a project expected to cost US\$13.2bn with completion in 2002.

Allied in Scotch deal with India

By Philip Rawstone in London and Shiraz Sidhwa in New Delhi

HIRAM WALKER, the spirits and wine division of Allied-Lyons, is to establish a joint venture in India with Jagatjit Industries of New Delhi, one of the country's largest liquor producers.

The 50/50 venture will bottle Scotch whisky in India and launch a range of locally-produced spirits for the domestic and international markets.

After decades of warding off foreign liquor manufacturers and encouraging a thriving market for spurious "scotch", India has opened its doors to the world's premium Scotch

whisky-makers.

Allied is the third UK-based drinks company to enter the \$800m market under the Indian government's liberalisation programme. Guinness and Grand Metropolitan have already announced the formation of partnerships with Indian companies.

Seagram, the Canadian liquor and foods giant, has also been allowed to set up a wholly-owned subsidiary to make or blend 25,000 kilolitres of spirits a year.

Though the Allied-Jagatjit venture is not expected to make a significant contribution to Allied's profits for some years, Mr David Jarvis, chief executive of Hiram Walker,

said yesterday: "We believe India has great potential for our products. We are delighted that the Indian government's positive policy for inward investment now allows us to be associated with Jagatjit."

The Indian government has not allowed foreign liquor companies to set up manufacturing capacities, and they will have to rely on the existing facilities of their joint venture partners, or purchase Indian spirits through contracts.

Jagatjit, which commands more than 25 per cent of the country's liquor market, is involved in the manufacture and marketing of malt, malt extract, dairy and food products, as well as in the produc-

tion of bottling and packaging material.

The Rs100m (\$3.2m) project in Maharashtra will import Scotch and bottle it in India for local sale and export to Gulf countries and possibly to South East Asia.

The company will bottle up to 30,000 cases of Scotch a year, and another 30,000 cases of blends with locally-made alcohol.

Exports have been made mandatory in order to offset import costs.

The Indian demand for Scotch is estimated at 1m cases a year, more than 75 per cent of which are spurious or adulterated, and 90 per cent of which are smuggled.

Poland warned over gas pipeline

By Christopher Bobinski in Warsaw

POLAND'S sovereignty could be endangered by a proposed plan that would supply Russian natural gas to the country along an east-west pipeline, Mr Jan Olszewski, a former prime minister, warned yesterday.

Mr Olszewski was speaking on the eve of a two-day visit to Poland by the Russian president, Mr Boris Yeltsin. During the visit an agreement to build the pipeline is expected to be signed.

Mr Olszewski, whose right-wing Coalition for the Republic is one of more than a dozen political groups contesting parliamentary elections scheduled for September 19, contended that the pipeline would "nullify chances of obtaining gas from other sources such as the North Sea."

Russia currently exports 6.5bn cubic metres a year of natural gas to Poland, whose domestic production amounts to 3.5bn cubic metres a year.

Estimates of Poland's natural gas needs in the year 2010 assume that consumption will triple from present levels.

The pipeline would carry 67bn cubic metres a year 4,000km from the Jamal Peninsula in the Arctic Circle to western Europe.

Details of financing of the project have still to be divulged, but Poland could take delivery of 14bn cubic metres a year of gas as part of the agreement.

The Polish sector of the pipeline would be owned by a joint Polish-Russian operating company. The issue of ownership has been the subject of debate by critics of the project.

The state-owned Polish Oil and Gas Company has been negotiating the pipeline agreement with Gazprom, its counterpart in Russia.

The Polish company has also been exploring the possibility of building a pipeline linking North Sea gas deposits with Poland's Baltic coast to bring in a further 10bn cubic metres a year.

Nordic countries contest the spirit of EC policy on alcohol

Monopoly issue complicates EC membership talks, writes Christopher Brown-Humes

WHEN the European Commission told Sweden that it must scrap its alcohol monopoly, it brought to the fore one of the most sensitive and difficult issues in the Nordic countries' EC membership talks.

Sweden, Norway and Finland have operated Europe's most restrictive alcohol regime for much of this century and none shows any sign of giving up the policy without a fight.

The EC says the restrictions have to go because they conflict with rules on free movement of goods and non-discrimination. For the Nordic countries, it is a case of public health, for the EC it is one of competition.

The issue could have a decisive impact on whether the Nordic countries can get their membership applications approved by referendum. Sweden and Norway each have more than half a million supporters of the temperance movement; if mobilised, this could be sufficient to swing an otherwise close vote against membership if the EC line prevails.

Puritan attitudes to alcohol date back to the 18th and 19th centuries when heavy drinking was rife. Both Norway and Finland had a spell on prohibition earlier this century, before

their current monopolies evolved. The aim today in all three countries is to discourage alcohol consumption by maintaining high prices and limiting availability.

Public opinion on the issue is split. A poll in Sweden last week found that 43 per cent of the public wanted the alcohol monopoly retained; a recent Norwegian study said as many as 59 per cent backed the current regime.

Norway and Sweden are taking the strongest line in the EC talks, saying that they want to retain monopolies over both imports and retail sales of alcohol. Attitudes are more relaxed in Finland, which has indicated that it considers retention of the retail monopoly to be the important issue.

The Commission does not dispute the Nordics' contention that their policies have cut alcohol-related problems - meaning everything from liver cirrhosis to drunken driving and violence in the streets. But it says they can find

ways of meeting their health objectives without retaining a formal monopoly. That could be through taxes, licensing, advertising, better information, and restrictions on sales to young people, for example.

Sweden counters by saying it is already doing much of what the commission recommends. It argues that it should be allowed to adjust its monopoly in so far as it transgresses EC competition rules, but that public health arguments should outweigh any requirement to scrap the monopoly.

As part of this emphasis on adjustment, Systembolaget, the Swedish monopoly retailer, is about to widen its selection of imported brands to demonstrate that the country's alcohol monopoly is not about favouring domestic suppliers.

Moves such as this may not be sufficient to win the argument. The Nordic countries still have to persuade a sceptical European Commission that the nanny state should have the right to dictate people's

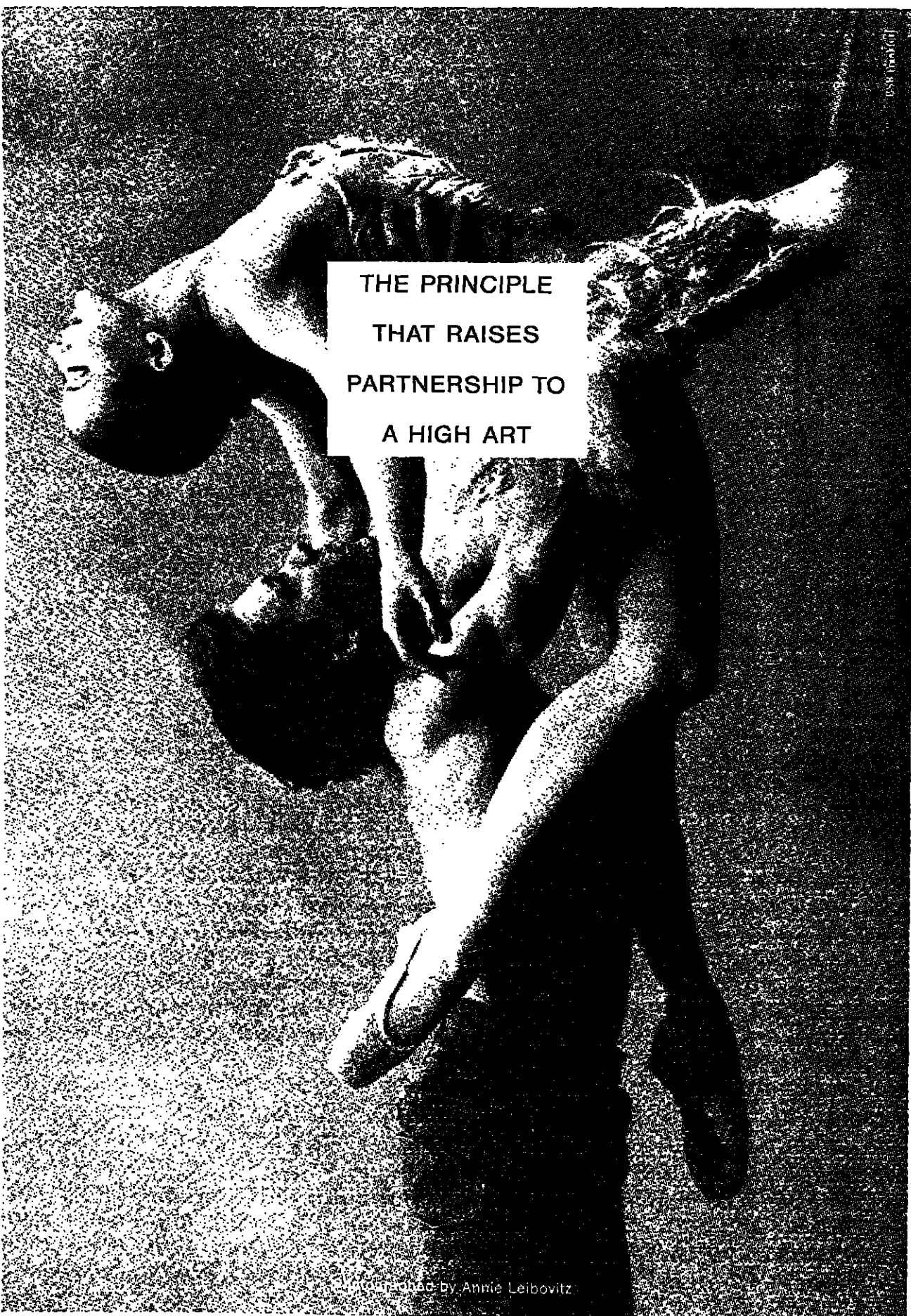
drinking habits. And they have to address evidence that actual levels of drinking are much higher than official statistics suggest.

According to Norwegian estimates, the country's spirits consumption is doubled if duty-free, smuggling and home-distilling are taken into account.

It is difficult to see how a satisfactory solution can be worked out, given the weight of tradition and long-standing policy on the Nordic side, and the EC's intransigence towards monopolies on the other.

One answer could be to scrap the import monopoly and agree to phase out the distribution monopoly over a number of years. But Swedish politicians, at least, fear they will not be able to sell that to the temperance lobby. They say alcohol is one of the issues on which the EC has to show increased flexibility if Sweden is not to get a negative view of membership.

One Swedish politician comments: "It will be far better for the monopoly to disappear naturally, with prices coming down as import restrictions disappear, than if it is forced on us politically. People will see it as a classic case of unwarranted meddling by Brussels in our internal affairs."



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DG BANK

State agency to challenge equal pay laws

By Robert Taylor,
Labour Correspondent

BRITAIN'S laws on equal pay are to be legally challenged through the European Commission in separate actions by the government-appointed Equal Opportunities Commission (EOC) and the Trades Union Congress (TUC). The EOC will ask Brussels next month to decide if Britain's equal pay legislation complies with EC rules. The EOC could find itself on a collision course with the government over what ministers will regard as a provocative move. But the EOC's decision to refer the issue to the EC reflects the increasing exasperation inside the organisation at what it regards as the government's failure to comply with EC legal obligations on equal pay. The main reason for the EOC's appeal to Brussels is the negative response over the issue it received last month from Mr David Hunt, the employment secretary.

rejected the legal advice given to the EOC that the government had failed properly to fulfil its obligations under the Rome Treaty and the directive on equal pay which Britain signed in 1975.

The employment secretary told the EOC the government needed to strike a balance between improving the law and ensuring that employers could avoid burdens that would threaten job opportunities. Mr Hunt also said he was firmly opposed to any proposals that sought to award equal pay to others in similar jobs or to allow trade unions or the EOC to challenge discriminatory pay systems.

"We have decided enough is enough", said an EOC official. She pointed out the EOC had been trying unsuccessfully for over three years to convince the government that it should improve existing equal value legislation.

Yesterday the EOC welcomed the TUC's decision to make a formal complaint to the European Commission over the abolition of wages councils that will come into force next week.

But the Department of Employment said last night UK legislation fully complied with the government's EC obligations. The TUC complaint will be submitted to the EC's social affairs directorate for consideration. The commission has the power to take the government to the European Court and to the court of appeal. The government would be forced to change its legislation.

Western counties seek EC funding

By Roland Adburgham, Wales
and West Correspondent

THREE west of England counties are making a joint bid for European funding to counter the impact of military cutbacks on the UK defence industry.

Avon, Gloucestershire and Wiltshire are lobbying for aid to help revitalise areas reliant on the defence industry and military bases. The government has until the end of this month to apply to the EC for a £15m share of the £100m Konver fund, announced in April by Mr Bruce Millan, EC regional policy commissioner.

It is the first time the counties have made such a joint approach. The bid, announced yesterday, is supported by the counties' Training and Enterprise Councils, by local MPs and MEPs and by the Avon-based Western Development Partnership, a forum for economic development.

Avon, Gloucestershire and Wiltshire are highly dependent on the defence industry with British Aerospace, Rolls-Royce and Dowty all operating plants in the region. Avon alone is estimated to have lost more than 7,000 defence-related jobs in the past six years.

Earlier this summer, the Confederation of British Industries

try said the impact of defence cuts in south-west England was comparable to the effects of the rundown of coal and steel production in Wales.

The Konver fund will require matching finance by the government, local authorities or the private sector. It is subject to the principle of additionality. That means it co-finances projects which will have an additional impact on the areas concerned and would not otherwise go ahead.

The Department of Trade and Industry has to inform Brussels by August 31 of the areas for which it is seeking Konver funds, and the DTI would subsequently assess specific projects which might be supported. The three counties want the aid for schemes to help redundant defence workers and to stimulate new business.

A study for the European Commission last year identified 24 of the community's 183 regions where defence employment was at least double the European average.

● Defence company Flight Refuelling is to shed 200 of its 1,000 workers at Wimborne, Dorset, it said yesterday. It blamed cuts in the aerospace and defence industries for the losses, which follow the axing of 100 jobs in March.

Government tries to defuse rail fare row

By John Authers
and Alison Smith

THE government yesterday attempted to defuse the growing political controversy over leaked plans by British Rail, the state network, to raise fares on some routes by 16 per cent ahead of privatisation.

While the leak has been interpreted as an attempt to spread damaging publicity on the government's plans for rail privatisation, the problems revealed in the document chiefly concern continuing funding difficulties on Network SouthEast, the London commuter division of BR.

The scale of the increases outlined in the document has alarmed many Tory MPs with

constituencies in south-east England.

Sir Keith Speed, one of the leading Tory opponents of rail privatisation, said he was certain Mr John MacGregor, the transport secretary, would not agree to the sort of fare rise envisaged.

Pressure for fare increases has mounted amid Network SouthEast claims that £400m is needed annually until the end of the decade "simply to maintain the status quo". This would allow for replacing out-dated rolling stock and essential maintenance, but would not include any extra routes or additional rolling stock.

Project investment for next year has been state-funded at £420m, according to Network

SouthEast, leaving a £40m shortfall.

Passenger watchdogs and opposition MPs claim fare increases are inevitable. Although transport minister Lord Calveley yesterday described suggestions of a 16 per cent fare rise as hypothetical, an FT analysis shows that rail fares on Network SouthEast - as well as London Underground and London's buses - have risen consistently ahead of inflation since 1984.

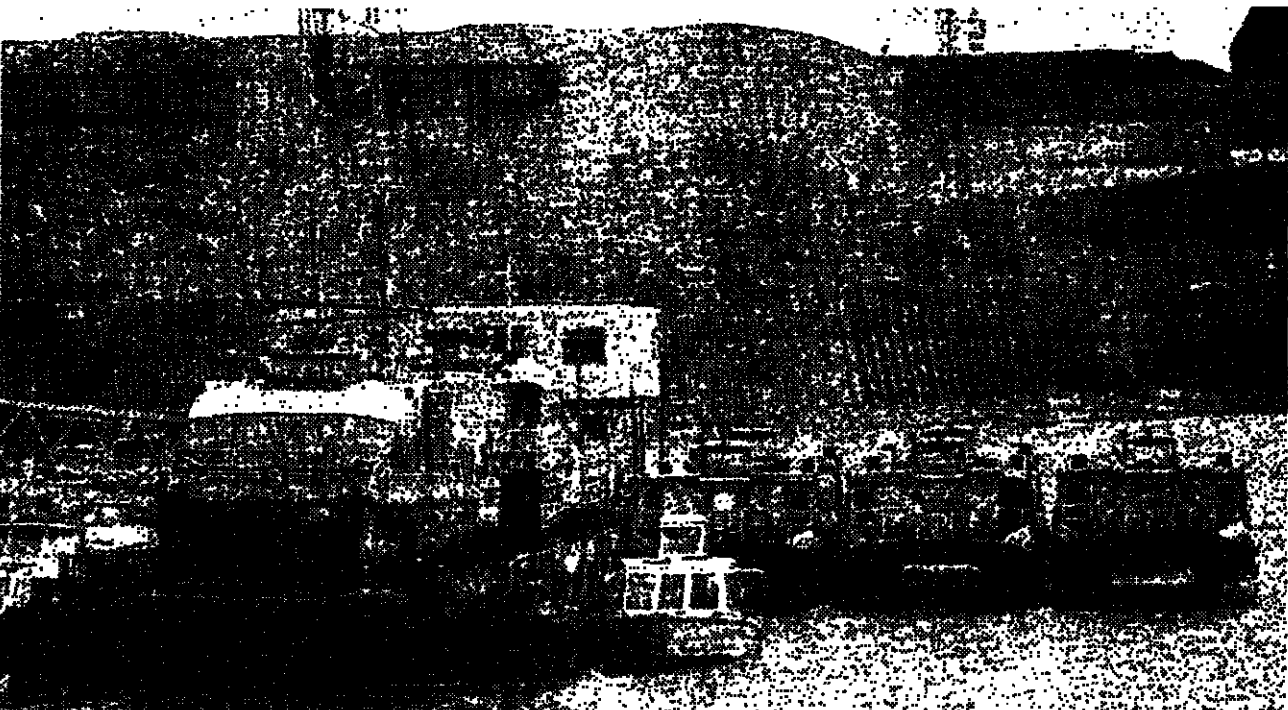
Since then, while the retail price index rose by only 56.3 per cent, bus fares have risen by 92.3 per cent and Tube fares by 94.5 per cent. Network SouthEast registered an 81.7 per cent rise.

Since 1979, the distance which can be travelled on any of London's public transport systems for a set fare has been cut by 20 per cent.

Over this period Network SouthEast has faced growing criticism for poor timekeeping and reliance on ageing rolling stock. Yesterday, it defended itself against criticisms, saying that a recent survey had shown it to be ahead of the French SNCF's Paris service by 7.8 per cent on measures of reliability and punctuality.

It admitted, however, that it received a £300m government grant last year, and even when this was included made a surplus of only £3m.

Lex, Page 14



Thames Fast Ferries, a subsidiary of the White Horse property group, said yesterday it was seeking talks with the liquidator of the collapsed RiverBus company, which provided commuter services along the Thames until the end of last week. Meanwhile the failed company's boats remained tied up at Trinity Pier in east London. Photograph: Ashley Ashwood

Tests soon at Thorp nuclear waste unit

By Bronwen Maddox,
Environment Correspondent

THE government's Pollution Inspectorate is likely to tell British Nuclear Fuels within days that it can begin testing its controversial Thorp reprocessing plant in north-west England with uranium.

Greenpeace, the environmental pressure group, has opposed the start of testing on the grounds that it will prejudice the government's decision on whether to allow the £2.5bn plant to start operating. Greenpeace warned yesterday that it would take legal action against any decision to allow testing.

BNF originally expected Thorp, which recycles used nuclear fuel, to receive authorisation at the start of this year. But the decision was delayed until the end of the year after strong opposition from politicians and environmentalists.

The inspectorate announced on July 22 that it was "minded" to allow testing on condition that, if BNF did not win the go-ahead for the plant, it would pay for decommissioning any equipment contaminated by the tests.

Britain in brief



Telecom deal to intensify competition

Competition between British Telecommunications and local cable operators is set to intensify following an agreement between the leading operators and Mercury Communications.

The deal gives the cable companies improved rates for completing the long-distance parts of calls made on their local phone networks, and will enable them to undercut BT's prices in their franchise areas. The cable companies - General Cable, Nynex, Ecom, Southwestern Bell, Telewest and Videotron - provide most of the 180,000 cable telephone lines now in service.

The operators would not disclose the precise figures in the deal, but the new Mercury agreement gives them better overall terms than those available with BT.

HK promotion for London

The Corporation of London, the local authority for the City of London, and the London Docklands Development Corporation are to make a joint promotion in Hong Kong next month of London as a business district.

They aim to address what they see as misconceptions about London held by businesses in the Asia Pacific region.

These include fears about terrorism and concerns that

the European Community has become more protectionist since the Maastricht conference on closer European ties.

More stock details likely

The London Stock Exchange plans to make more information available about the trading prices of stocks in smaller companies in an effort to boost their share liquidity.

The information will cover the trading prices of some 160 shares with only one registered marketmaker or with no marketmaker. Dealing in these shares must be conducted through offers posted on the Stock Exchange Alternative Trading Service (Seats).

Nissan output rises sharply

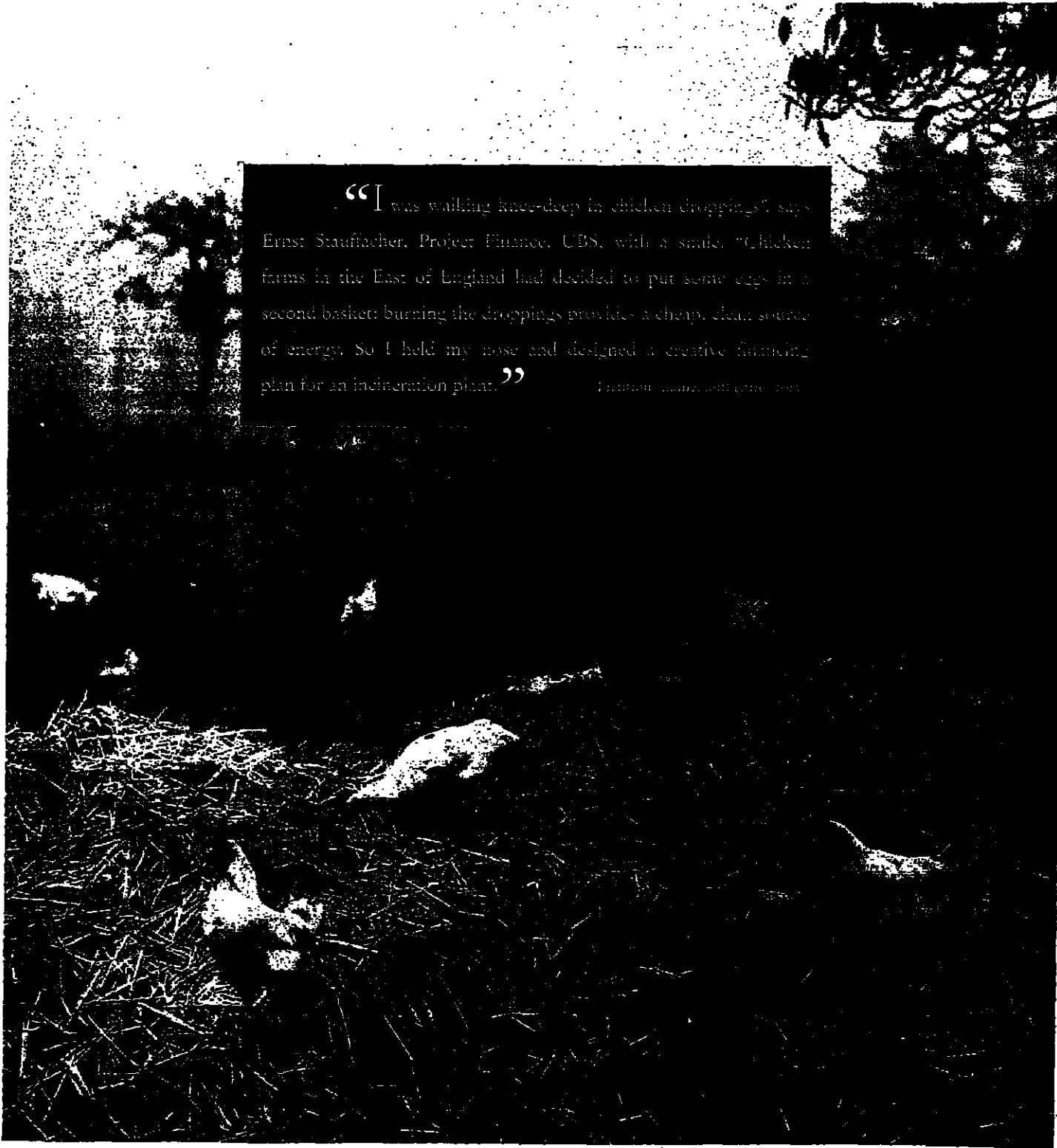
Japanese carmakers accounted for more than a fifth of UK car output in the first six months this year. Sharply rising production by Nissan and the start-up of plants by Toyota and Honda are compensating for falling output by the traditional car producers.

Overall production rose by 8.2 per cent in the first half of the year to 743,000 boosted by a virtual doubling of car output at Nissan's Sunderland plant in north-east England.

Wind farm plan unveiled

Proposals for a wind farm with 66 turbines in south Wales will be unveiled today.

Trigen Windpower - a joint venture formed by Ecogen, the Welsh renewable energy company, the Japanese Tomen Corporation and Sea West Energy Corporation of California - is seeking planning permission for the £4m project.



"I was walking knee-deep in chicken droppings" says Ernst Stauffacher, Project Finance, CBS, with a snarl. "Chicken farms in the East of England had decided to put some eggs in a second basket: burning the droppings provides a cheap, clean source of energy. So I held my nose and designed a creative financing plan for an incineration plant."

Securities industry faces demands from Brussels

EVEN for those well-versed in the complex phraseology of European directives, the Capital Adequacy Directive (CAD) is vexatious.

Translated into English, it means most of Britain's securities industry will have to use a new measure of financial strength. Until now, the investment industry had to meet capital requirements set out by the Securities and Investments Board (SIB), the City's chief regulatory watchdog.

SIB officials are careful to point out that for a large number of firms, the cumulative capital requirement will not change; capital may simply be allocated differently among various business activities. But for a significant minority changes will be needed. For the first time firms which do not handle client money or trade for their own account will need to meet an initial capital requirement of £500,000 (£250,000).

Those which do handle client money will need £125,000 (£62,500) and those which deal for their own account and underwrite issues will need £250,000 (£125,000).

Under current UK rules there is no initial capital

Norman Cohen assesses the changes under the directive on capital adequacy

requirement; all capital requirements are related strictly to the degree of risk involved in specified activities. The rules require them to hold enough capital to cover fixed overheads for various periods and to hold capital against trading positions, with the amount dependent upon the amount of risk.

The CAD will require all firms to have enough capital to cover fixed overheads for 13 weeks a year. Smaller fund managers and investment advisers of other types need capital only to cover four to six weeks of fixed costs.

The so-called position risk requirements, which will mostly affect the securities firms which are members of the Securities and Futures Authority, are in some cases lighter than those in place.

But some firms will face tougher position limits. Current rules apply low require-

ments for securities firms that trade equities for their own book and meet strict portfolio diversification requirements. The CAD makes no adjustments for the extent to which diversification reduces risk and some securities firms, in particular the larger ones, may have to hold more capital against their portfolios.

Even among firms with no interest in operating overseas, hundreds may find they need to raise additional capital or alter their business mix.

"A lot of firms will think 'Well, I'm not going to use the European passport so this won't affect me,'" said an SIB official. But the regional stockbroker in Maidstone is as subject to the new rules as S.G. Warburg, a fact which has not yet fully penetrated the industry, regulators say.

Regulators point to a number of mitigating factors. The EC's Capital Adequacy Directive applies only to investment business as defined by the Investment Services Directive, which specifically excludes firms which only give advice. Fimbra, the self-regulatory body for financial advisers, estimates that is the case for more than 80 per cent of its members.

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MANAGEMENT: THE GROWING BUSINESS

Many small businesses struggling with BS7750, the British Standards Institution's quality systems standard, may not have to grapple with BS7750, its successor for environmental management systems.

The BSI decided to develop the standard because it wanted to respond to increasing concerns about environmental performance. BS7750 details a specification for an environmental management system that will enable an organisation to ensure compliance with its chosen environmental policies. It also contains advice on how to put the system in place.

Having the management system will facilitate environmental auditing of the organisation and compliance with BS7750 will prepare it for participation in the EC's eco-management and audit scheme (Emas).

The environmental management system laid down in BS7750 has a lot in common with that of BS5750. Indeed, the similarity in the numbering of the two standards is intentional to demonstrate the strong links between them. BS7750 can be seen as an add-on to BS5750.

Both standards have something else in common: just as compliance with BS5750 is no guarantee of an organisation's output being of high quality, since low-quality targets can be set within the system, so compliance with BS7750 does not ensure good environmental performance. Toxic emission targets, for example, could be set to unacceptably high levels.

A version of the standard has existed for over a year, but as yet the BSI does not think it has been developed enough to issue certificates of compliance.

Although at least one consul-

BSI's environmental management system may cause difficulties for small firms, writes Peter Carty

Struggling with new standards

tancy, SGS Yarsley ICS, has been granting certificates, the BSI regards this as "premature and misguided".

But a pilot programme earlier this year to test the standard in more than 100 organisations has now ended, and a draft of the revised standard is out for public consultation until the beginning of September.

The final version should appear by the beginning of December and widespread certification should start after accreditation procedures have been set up to vouch for certifiers. In fact, the only significant revisions in the standard are those bringing it into line with Emas, under which businesses will undergo environmental audits and publish results. Emas is set to get fully underway in 1995.

The concern of small businesses is that BS7750 will cause them problems similar to those of BS5750: disproportionately high implementation and certification costs, and the thinning down of tender lists by excluding those who do not have it.

"BS7750 is a nightmare for small businesses," says Bernard Juby,

trade spokesman for the Federation of Small Businesses. "BS7750 we see as the incestuous cousin - it's even worse." Juby finds the standard more nebulous than BS5750, and is apprehensive of some councils and large companies making it mandatory in all but name for suppliers. In a similar way to that in which some have dealt with BS5750.

"It's supposed to be a voluntary standard," he complains of the latter.

Some of the businesses from the pilot scheme also think BS7750 is vaguer than BS5750. "It's probably slightly woollier because the subject area is less easy to pin down and define," says Sam Phillips, engineering manager at the Mann Organisation, a 50-employee company which recycles computers and electronic equipment.

The business has had to abandon implementation of BS7750 for the time being, partly because it is still busy with BS5750. "It would be very, very difficult I think for anyone to implement BS7750 if they haven't actually got BS5750," says Phillips.

"If you're coming at it cold, par-

ticularly small businesses without BS5750, they won't know their arse from their elbow," agrees Richard Hall, TQM systems manager of the Renlon Group, a 65m turnover, 60-employee property preservation and construction company.

Chris Sheldon, the BSI's environmental spokesman, disagrees. He says experiences on the pilot scheme varied. For example the group of companies from the print and packaging sector, which included many small and medium-sized businesses, say they do not think BS7750 is a prerequisite for BS5750.

The signs are not promising for small businesses worrying about the expense of compliance with another standard. Phillips and Hall have experienced interest in their environmental management systems from large companies and local councils.

"They haven't actually put pressure on us in the sense of having it documented, but we have been audited by a couple of them to make sure that what we're doing



Bernard Juby



"BS7750 is a nightmare for small businesses. BS7750 we see as the incestuous cousin - it's even worse"

Federation of Small Businesses

meets their standards," says Phillips. He thinks that at some point there may be insistence on compliance with BS7750 before contracts are awarded.

One large company the Mann Organisation does business with is IBM. "The most likely position we would want to take with our suppliers for BS7750, once it does finally emerge, is, in a nutshell, encouragement," says Eric Dewhurst, engineering services manager at IBM's manufacturing and development site in Greenock, Scotland.

"It would not be a requirement in the sense of being mandatory." He thinks the company's policy will be similar to the one for BS5750, with which it normally expects big companies to comply, but not necessarily small ones.

mandatory to get onto tender lists for the council's contracts. "We don't insist upon it, but obviously when contractors are vetted to come in on the scheme we ask for various safeguards in that respect," says David Jones, a senior building surveyor in the council's property services department. However, Jones says the award of contracts can depend on whether a business has a certificate or not, and it may not always be possible to take small businesses' circumstances into account. Might they sometimes lose out as a result? "Possibly."

Jones says that at present environmental management systems are sometimes taken into account when awarding contracts and that compliance with BS7750 may be taken into account in the future. "If suppliers can show that they're moving towards that direction then I think we would take that on board in the selection stage of tendering."

The BSI is against mandatory application of BS7750 and is listening to small businesses' criticisms. It has set up an independent committee with small business representatives which is undertaking a survey of problems.

This may provide little insurance against future problems given the legal and social context of BS7750. Large organisations are concerned about public perceptions of their environmental performance and have legal responsibilities under statutes such as the Environmental Protection Act 1990, the Water Resources Act 1991 and the Control of Pollution Act 1974.

"There will be an increasing trend for companies to require their suppliers to have some form of qualification and the ready-made qualification of the shell is BS7750," says Michael Renger, a partner in the environmental department of lawyers Nabarro Nathanson.

The screen flashes up an image of a Russian entrepreneur practising his karate skills, then driving around Moscow in a Lada. "This man has big business on his hands: Russian knitwear," a voice purrs in the background.

Alexander Panikin, 43, says he commissioned "The Factory-Owner", a video about his company Pan Inter, to present himself "as an example to others".

Promotional puff aside, he has grounds to boast. He manages one of Russia's rare small businesses involved in manufacturing, at a time when import-export operations dominate the new private economy. Panikin's business has emerged from the ruins of seven decades in which, he says, "the Communists destroyed everything that moved".

He was lucky to have accumulated capital in the dying years of the old regime when prices were controlled by the state and

Entrepreneurs use creative skill to succeed

Leyla Boulton on survival tactics in Russia, where capital investment is almost unheard of

money lending was cheap. The irony today is that though prices have been liberalised, private trade allowed and privatisation is officially under way, new businesses find it virtually impossible to obtain finance for capital investment.

Last month the International Finance Corporation launched the first international effort to stimulate small and medium-sized businesses in Russia by lending \$15m (\$10m) to a Russian commercial bank for on-lending to new companies.

The IFC admits, however, that its contribution is just a drop in the ocean for Russian business development, until Russian

entrepreneurs are able to mobilise the billions of dollars potentially available in domestic capital when investment circumstances improve.

With inflation running at 1,000 per cent a year, most entrepreneurs and banks have little incentive

combination of hard work, luck and initiative, are indeed a rarity. Panikin set up his factory, which now employs 700 people, with profits made from a co-operative set up under legislation introduced by President Mikhail Gorbachev

The International Finance Corporation is lending \$15m to a Russian commercial bank for on-lending to new companies

to launch into any project that does not bring virtually immediate returns.

Entrepreneurs such as Panikin, who are showing the way by a

in the late 1980s. "I started off with six sewing machines but I had a profit margin of 600 per cent," he says, illustrating the pent up demand

for consumer goods which existed in Russia's then closed, and now still heavily militarised economy.

Today his margins have been reduced to 100 per cent by import liberalisation, which has introduced competition, and by price liberalisation, which has cut the population's purchasing power.

In an attempt to beat inflation, which destroys real earnings, he converts his profits into hard currency and immediately ploughs them back into the company.

Another challenge for business is that market institutions taken for granted in the west, such as efficient suppliers, distributors, and a normal banking system, are absent in Russia.

Panikin sells his clothes in 10 kiosks he owns around Moscow, which means he works mainly with cash, and relies on his own sales network to find out what sells and what prices he can get away with. In order to obtain the necessary quality he dyes the threads used for his knitwear.

The IFC's lending initiative is part of the international effort to stimulate business, but action needs to be taken in Russia to help budding Panikins. Irina Razumova, who heads a small business support centre with funding from the cosmetics company Avon and the Canadian government, says: it is no bad thing that small businesses find it

difficult to raise finance for manufacturing as it is services that are needed. She adds: "The main problem is that our people do not know how to work." The business support centre provides short courses in accounting and management skills.

Razumova believes one of the biggest problems facing small businesses is people attitudes: how do you change the habits of employees accustomed to a system once jokingly described as "pretending to pay the workers while they pretend to work".

Higher than average pay packets (the equivalent of around \$100 a month) are still topped up with subsidised food, such as sugar, which is expensive in the shops, and other non-monetary benefits. Panikin's staff also receive benefits - clothes can be purchased at a 50 per cent discount from the sales price and Panikin has even given plots of land away to workers.

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The age of the disposable personal computer is here. In spite of the growing number of manufacturers producing "green" PCs, the sad fact is that most systems are built to be thrown away and, in the short term, little is being done to change that.

It all comes down to economics. In the world of PCs, new technologies are being introduced and adopted so quickly that it is rarely worth upgrading an older computer.

For anyone who does not want a disposable PC, there are theoretically a number of technologies that could make life easier. However, there is no guarantee as yet that they will work. One solution is the idea of the upgradeable computer processor. It has been used by various PC manufacturers over the years in building so-called "future-proof" PCs.

There is no better illustration of the pitfalls of this approach, though, than the recent array of "Pentium-upgradeable" systems. Pentium is Intel's latest computer processor. Pentium-upgradeable systems were supposed to allow users to remove the moderately powerful Intel 486 processors and replace them with the Pentium processors, as these became available to users, in order to achieve the much higher performance.

Unfortunately, when the Pentium processor was installed on the 486s, over-heating problems occurred. In addition, memory and storage capacity were not always installed in the most appropriate configuration for Pentium-based systems.

Owing to such problems, even the properly-executed Pentium upgrade

Price pressure

Upgrading a PC is possible but can cost as much, if not more, than a new model, finds Geof Wheelwright



often ended up costing as much as buying a brand new Pentium system – and it still did not deliver the same levels of performance as an off-the-shelf model.

If upgrading PCs were just a matter of solving the problematic processor installations, however, an appropriate method could eventually be found. The complicating factor in the process is

the fast pace of change in the complementary technologies – especially in video display, memory and in data storage areas.

The performance of personal computer video in particular has improved dramatically in the past few years.

In most IBM-compatible PCs, video output is generated through the use of a display adaptor

expansion card that sits in one of the PC's "expansion slots", but these adaptor cards run at a rate of only 8 Megahertz. While 8 MHz speed was fine in 1984, today's fastest PC processors can run at between 40 and 60 MHz – with 100 MHz 486 processors not far off.

A variety of solutions to meet the video and memory requirements have been put forward including

video accelerators, faster processors on the video display adaptors – as well as more memory. Whatever changes are made to the video card, however, it still has to communicate with the motherboard of the PC at only 8 MHz.

And this is where "local bus" video comes in. This is a way for the video circuitry to talk "directly" to the processor over a "local bus" – rather than the standard AT expansion bus (data channel).

This means that a local bus video system has to be built on to the motherboard of the computer in a proprietary fashion – at least until some form of local bus video standard evolves. There are 32-bit expansion slots in existence, but none will yet operate at the speeds that can be achieved by hanging a local bus directly off the processor.

Local bus video systems claim to be able to run at between 33 to 50 MHz. And with today's Microsoft Windows applications demanding that amount of additional performance, it is clearly a technology that will be increasingly in demand over the coming years.

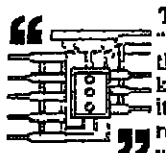
There have also been significant improvements in increasing PC memory capacity – either random access memory (Ram) or magnetic storage. Again, this would enable Windows applications to be loaded on to a system which originally had too little memory capacity to run such software.

Although technology advances make PC upgrades possible, they are still problematic. So if you want a better PC than the one you already own the most simple answer may be to buy a new one. The real challenge will be to find a home for the old computer.

Technically Speaking

Conflict in the computer market

By Bill Passmore



THE WORD "proprietary" to the computer market these days elicits much the same response as "cold war" does to the world at large. If the battle has not been won, then at least it has gone away. We now live in an open world.

Unfortunately, it is not true, and it would be dangerously complacent to think otherwise. The cold war is not over, only the players and territory have changed.

Open systems mean that users are not tied in to any hardware or software that will limit their future room for manoeuvre. They can select what is best for their needs, rather than what their supplier chooses to give them.

The traditional enemy of open systems was the hardware supplier. Mainframe and supermini suppliers provided computers with unique operating systems. If you built your company's computer strategy on such a platform, you were stuck with it.

However today, open systems users can rejoice in the knowledge that they have in the Unix operating system a stable software platform on which to build and a range of hardware from which to choose. All of the leading Unix vendors – including some of its erstwhile enemies – are now party to the Common Open Software Environment, or Cose, which aims to bring further commonality to the Unix world in such important areas as screen windowing.

This is good news for the user, but it is not being done entirely for the sake of standardisation. It is also being done because Cose members see the threat to openness of the dominance of a new proprietary enemy – Microsoft.

The software company has given the PC user an operating system and a range of tools and applications that dominate their markets.

Microsoft's more recent product offerings – its larger applications and, in particular, the Windows NT operating environment – are set to take it into the multi-user, multi-tasking domain – the province of the Unix vendor.

There is an uneasy alliance between the two sides of Microsoft's business – operating and applications software – which has given rise to anti-trust investigations at the US justice department. Rival applications vendors contend that Microsoft's ownership of Windows gives it an unfair time-to-market advantage.

It is in no one's interests that the balance of power should tip towards one company. Such a shift limits a customer's ability to choose, leading to less competition and less innovation.

There are already similar danger signs in the Unix-led market that Microsoft is now attacking. There is much at stake with Windows NT. Microsoft's Unix competitor, and Microsoft, has said that it may alter the source code – the heart of the software – to prevent other companies from running applications in an NT-like environment.

What is more, despite claims to the contrary, NT is currently not based on recognised standards. (It has, for example, no X/Open recognition – the universally recognised mark of a standards-based open system.) If Microsoft continues to ignore this issue there will be a return to the days when users were beholden to the dictates of their suppliers which would be the very antithesis of openness.

There is a far more worrying threat to open systems. Novell acquired Unix Labs, which owns Unix, a few months ago. The company is determined to challenge Microsoft's dominance and it will build volume not just for Unix, but for its own Unix applications.

But Novell may go further than this. One senior vice-president was quoted in July as saying, "Unix will be proprietary". Suddenly the idea of a closed Unix is no longer unthinkable.

The computer market is intensely competitive. But unfortunately, the hard-fought principle of open systems is in danger of being lost in the process. It was users who fought for open systems; it will be users who suffer in a conflict of this kind.

Bill Passmore is vice-president, northern Europe for Sun Microsystems.

Scientists at International Business Machines' Adstar data storage division in San Jose, California, have achieved a breakthrough that is expected to increase the amount of data that can be stored on a computer disc drive by a factor of about 30 by the end of the decade.

The Adstar scientists predict their new method of producing a phenomenon called "giant magneto-resistance" will make it possible to store up to 10bn bits of information per square inch of the surface of a computer disc. This is roughly equivalent to storing all of the text of 10,000 300-page novels on a double-sided, 3.5-inch hard disc drive.

Magneto-resistance is a change in the electrical resistance of a material when it is in the presence of a magnetic field.

IBM has pioneered the use of this phenomenon in data storage systems. Data is stored on computer

disc in the form of minute magnetised spots. When a magneto-resistive sensor or "head" skims over the surface of the rotating disc it passes through the tiny magnetic fields produced by these dots and its electrical resistance is changed, producing a signal that "reads" the bits of data stored on the disc.

However, as the density of data stored on computer discs increases, the magnetic spots become smaller and smaller and it becomes more difficult to detect their magnetic fields.

The giant magneto-resistive effect represents a potential solution to this problem. It produces an electrical signal more than five times stronger than that produced by heads based on conventional magneto-resistive technology.

Until now, laboratory demonstrations of giant magneto-resistance have required exotic materials, very low temperatures, or complex processes. However, the IBM researchers have designed a giant magneto-resistive sensor that is relatively simple to make. It is based upon a stack of very thin layers of magnetic (nickel-iron alloy) and non-magnetic (silver) materials.

Fabricated using standard semiconductor production techniques each layer of material is only about two billionths of a meter thick.

The structure is then annealed in a furnace to align the magnetic poles of adjacent layers in opposite directions. When the structure is placed in a magnetic field, all of the magnetic layers align in the

same direction, producing a "giant" signal.

Adstar now plans to move the technology into its development laboratories, to make prototype disc drive heads capable of reading data stored on a disc. The next step will be to optimise the materials and processes for mass production. The technology is expected to appear in products in about three years.

There should be no fundamental problems in transferring the technology from the laboratory to manufacturing," says Kevin Coffey, one of the group of Adstar scientists that has worked on the project.

IBM has patent applications pending on the structure and the process for producing its giant magneto-resistive sensors.

An unusual aspect of the giant magneto-resistive sensor development is that it was conducted within the IBM product group, rather than at the company's research laboratories.

The research was conducted as part of an "IBM Fellow" programme, under the leadership of Kent Howard, one of IBM's leading scientists who was made an IBM Fellow three years ago. The programme gives IBM's top scientists great latitude to pursue their research interests and work directly with product groups.

For computer users, the development promises higher density and lower cost data storage. This is becoming increasingly important with the advent of multi-media computing requiring storage of large quantities of data including video, voice and graphics as well as text.

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Publication last week of the Monopolies and Mergers Commission's long-awaited report on British Gas shot Mr Graeme Odgers into the public limelight for the first time in his new role as MMC chairman.

Although Mr Odgers arrived at the MMC too late to be closely involved with the report, the generally favourable reaction to the commission's findings has ensured a good start for the Odgers' era.

However, it is too early to judge whether the appointment of Mr Odgers, an experienced industrialist, will translate into an overall change in approach to competition policy.

Mr Odgers' appointment by Mr Michael Heseltine, trade and industry secretary, last December, was generally seen by observers as another step towards a new approach to competition issues.

When Mr Heseltine took over at the DTI, he promised a pro-industrial policy, intervening to help British companies "before breakfast, before lunch, before tea and before dinner". As an industrialist and the first non-lawyer to head the Commission, Mr Odgers was seen as Mr Heseltine's man.

Mr Odgers' industrial credentials made him an ideal candidate for the task of bringing a more pro-industry focus to the work of the commission.

At Tarmac, he revived the construction company, increasing turnover from \$85m to \$1.5bn during his seven-year spell. He moved onto British Telecom, first as deputy chairman and chief financial officer and then as group managing director under the chairman-ship of Mr Iain Vallance.

It was a very difficult time [at BT], says Mr Odgers. The telecommunications group was experiencing widespread problems and after "struggling manfully" with these for four years, he left suddenly in early 1990, returning to the construction industry as head of Alfred McAlpine.

Mr Odgers put his abrupt departure from BT down to "a clash of management styles" with Mr Vallance. One-on-one relationships are always difficult, he explains, unless there is real understanding and a coincidence of style.

"Perhaps I was too inflexible in some ways in my commitment to decentralisation and in my views about how a business should run to make the relationship work."

Competition supremo

Robert Rice speaks to Graeme Odgers, head of the UK's Monopolies and Mergers Commission

Mr Odgers' public sector experience is also thought to have impressed Mr Heseltine. In the early 1970s he spent three years as head of the DTI's industrial development unit.

Peter Walker was then trade and industry secretary. But by the time Mr Odgers had taken up his appointment, there had been a change of government and he found himself working for Labour's Tony Benn.

The Conservatives saw the IDU as a vehicle for handling regional aid under the Industry Act; but under Mr Benn its role widened and Mr Odgers found himself heading the investigation and negotiation of support deals for lame duck companies such as motor manufacturer British Leyland.

"Heading the IDU in the middle of an industrial crisis and trying to reconcile the political aspirations of one's masters with the industrial and commercial realities of the marketplace was what I call a challenging job," he says.

He found the experience "riveting", so much so that when the opportunity of returning to the public sector presented itself - as head of the MMC - he had little hesitation in accepting.

The only hole on his curriculum vitae as far as the MMC job was concerned was the lack of a legal qualification. At the time of his appointment, this lacuna was seen by many as an advantage: Mr Odgers was viewed as a hands-on industrialist, prepared to inject some much-needed pragmatism into the legalistic procedures which surround UK competition policy.

Three and a half months into the job, Mr Odgers is not so sure. The commission operates within a legal framework, he says; failure to observe the law would result in its decisions being challenged in court. Mr Odgers has therefore been put through a series of tutorials with the Commission's lawyers, which he describes as



Odgers: off to a good start with the MMC's British Gas reports

"rewarding, but hard work". So is he Mr Heseltine's man? "Obviously, given my background, there was no way I was going to approach the job from a legalistic point of view. When looking at the public

competition. "If you don't have a sound competition environment you're not going to have sound competitive industries." "But," he adds, "competitiveness - the ability to compete in whatever is the relevant market - is also hugely important."

Does this mean that the enforcement of competition policy must be flexible - that it is pointless having strong competition in local markets if it prevents companies competing on the world stage?

"What I'm saying is that you have to identify what the relevant marketplace is in each case. What you don't want is, in stimulating competition within local and domestic markets, to stop your relevant industry competing in what

marketplace, which may be the European or an international marketplace.

"Sometimes these conflicts occur and one has to take it into account, no question about it."

"Having said that," he adds, "the best stimulus to the creation of strong international competition is a strong competitive framework within your own domestic marketplace. If you don't have it, you'll have soft industry."

Mr Odgers is happiest talking about competition and its relationship to competitive bidding. He is less forthright on other issues such as reform of competition law, relations with the European Commission and the structure of the UK competition authorities.

He has yet to meet Mr Karel van Miert, EC competition commissioner, but foresees no problems in reaching common ground on a variety of competition issues with his EC counterpart.

Nor does Mr Odgers see the need for radical change to the UK law on the abuse of monopoly power - a view shared by his predecessor, Sir Sydney Lewis. And he is cautious about any change in the relationship between the MMC and the Office of Fair Trading; he welcomes the recently announced government review of the OFT.

As an industrialist Mr Odgers is aware of industry complaints about the duplication of effort between the OFT and the MMC and the administrative burdens this places on parties involved in investigations. Mr Odgers would like to streamline and speed-up procedures, but maintains that, if the MMC is to do its job properly, then there are inevitably going to be burdens on industry. The process is, he says, "a balancing act".

Like his predecessor, Mr Odgers would welcome the appointment of more hands-on industrialists to the MMC but recognises the difficulties many prospective candidates would face in devoting sufficient time to the commission.

Barely 100 days into the job, has he changed his views in any way since arriving?

He says he had not appreciated the full extent of the difficulties of competition policy. There are all sorts of internal dilemmas and inconsistencies which make any MMC judgment "so much more difficult than I had originally thought".

Good faith at risk

Lloyd's case reveals a lacuna in English law, according to A H Hermann

He ruled that it also encompasses breach of contractual duties about which the Act is silent.

The Court of Appeal will be asked to say what are the implied contents of the contract concluded between a Name and the Corporation.

By such contracts Names allow agents managing Lloyd's syndicates to underwrite in their name risks for which Names then bear unlimited liability. They must not interfere with the business of the agents, who are not members of the Corporation, but who are admitted and supervised by the Corporation and report their dealings to it.

As it is a duty of a contractual agent to obey his principal's instructions, it would appear managing agents are organs of the Corporation and it is the Corporation which is the agent of Names.

This argument, which the plaintiffs seem to have overlooked, is reinforced by the fact that all premiums are collected by brokers admitted and supervised by the Corporation, and who also acted as managing agents of syndicates until 1987 when this conflict of interests was removed.

The contract leaves Names two safeguards: an individually agreed limit on total premiums, which limits the risk that may be underwritten in their name; or the statutory assurance that the object of the Corporation is to protect and further Names' interests and keep them informed.

Only the Corporation knows, or can take steps to know, whether the premium limit has been exhausted, and

it seems to be its contractual duty to stop the limit being overstepped. When inviting a prospective name to sign the contract, the Corporation gives him documents claiming that it controls the admission and operation of brokers and managing agents.

He who claims influence and power in making a contract should exercise it in performing it. Or, as Sir Henry Fisher, the judge, wrote in his 1989 report, the Names "can reasonably look to the committee [now the Council] for protection".

The Corporation's duty to respect the premium limits and inform Names of any doubt about the skill and honesty of the agents must be on the mind of the parties when signing the contract as "a matter of course" - a test of implied duty.

The other test, that such implication is also necessary, is obvious: no person in his right mind would put in another's hands not only his fortune but also the power to bankrupt him by undertaking in his name risks without limit; nor would he forgo the right to be informed about mismanagement or dishonesty by those underwriting risks in his name.

If the higher courts decide that the Corporation has such a duty of care towards Names, the case will return to the High Court for trial.

To succeed, the plaintiffs will have to prove the Corporation failed to protect them against exposure to risks substantially exceeding the agreed premium limit and that the Council did not even inform them of the conclusions of the Chester Committee of Enquiry. This alleged certain underwriters and brokers were claiming they kept business within the agreed limits when they were exceeding them.

The plaintiffs add that the Council allowed the agents to continue to operate on behalf of the Names though it found the Chester report's allegations serious enough to stop new Names joining the criticised syndicates.

The Corporation has made a number of reforms and is seeking corporate investors to underwrite insurance. The latter are likely to press for better internal controls. Yet the outcome of the appeal remains of great significance.

PEOPLE

Brown to take on Rechem's problems

Shanks & McEwan, the waste management company, has hired Colin Brown from Exxon Chemical as the new operations director of the environmental services division.

Since he lives in the New Forest, Brown will be not too far distant from the incineration plant at Fawley, one of five sites around the country for which he will be responsible and which was last year fined for discharging arsenic into Southampton Water.

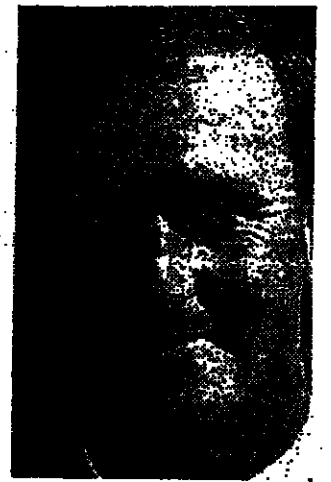
He also has the advantage of having worked in what Shanks & McEwan calls "a very closely allied industry". "They [Exxon] make the stuff and we destroy it," a company spokesman

explains. Both companies are also favourite targets of the green lobby - Exxon will long be associated with the Valdez disaster, while Rechem, acquired by Shanks & McEwan in 1991, has been under fire particularly at Pontypool, where it destroys toxic waste such as PCBs and dioxins.

Brown's appointment is not directly related to the Pollution Inspectorate's recent warning, in the course of its licence renewal, that Pontypool should improve the monitoring of its toxic emissions, according to Shanks. Instead, David Wheeler, the previous managing director of Shanks &

McEwan (Environmental Services), which incorporates Rechem and the technical services division of Shanks, had felt he himself had enough operational experience, but his recently appointed successor, Mike Averill, wished to reintroduce the post.

Brown, 38, a chemical engineering graduate from Bath, who joined Exxon 15 years ago, will be in charge of Fawley and Pontypool, the high temperature incineration plants that are part of Rechem, as well as Stewartry, Teesside and Tullis, all three part of the chemical treatment operation that comprise Shanks & McEwan technical services.



Bodies politic



George Lapsley (above), senior partner of MCP Management Consultants, has been appointed president of the INSTITUTE OF MANAGEMENT CONSULTANTS.

Tony Lancaster chairman and chief executive of GAN Minister Group, and Reg Brown, chairman, Octavian Syndicate Management, have been elected president and deputy president respectively of the INSURANCE INSTITUTE OF LONDON, as from October 4.

Roger Westwood, president of the Society of Pension Consultants, has been appointed chairman of the OCCUPATIONAL PENSION SCHEMES JOINT WORKING GROUP.

Graham Marriner, head of the telecommunications information group at the Post Office, has been elected chairman of the TELECOMMUNICATIONS MANAGERS ASSOCIATION.

Chris Harris, director of Marine Emergency Operations at the Department of Transport, has been selected, following an open competition, to be the chief executive of the MARINE EMERGENCIES ORGANISATION executive agency when it is established in April 1994.

Peter Allen retires early

Peter Allen, the deputy chairman of accountants Coopers & Lybrand, has announced his intention to retire from the firm in April next year when he will be 56.

His departure follows the decision by Brandon Gough, chairman of Coopers for the past ten years, to step down when his current term finishes in April 1994.

These moves clear the way for elections from among the partners for a new chairman, who will be able to select a fresh management team. The vote takes place in November.

Coopers says that Allen had told his partners earlier this year that he would be retiring and that he intends to take on a number of non-executive appointments.

He led a team that negotiated the merger with Deloitte Haskins & Sells in 1980 and after that became deputy chairman with responsibility for overseeing UK activities and acting as chairman of the management consultancy practice across Europe.

Other departures

Edward Low has retired from STAVELEY INDUSTRIES.

Hamish Inglis has retired from WATSON AND PHILIP.

Michael Carr, deputy chairman of GRESHAM TRUST, has retired.

Mike Walsley has resigned as a director of J. BERRY & SONS.

Graham Munson is leaving the BM GROUP; Graham Hall is resigning as a director of the group on completion of the disposal of BM Plant and Talbot Diesels.

Peter Mackenzie, a director of Sulzer (UK) and head of the textile machinery division, has retired.

There is a limited amount of marketing opportunities available at the conference

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St Gobain Group

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هكدامن الاصل

The Proms

Sackman's 'Hawthorn'

Nicholas Sackman, the 43-year-old English composer, had this year his first commission for the BBC Proms. The result - a 25-minute piece for large orchestra entitled *Hawthorn* - was revealed in the Albert Hall last Thursday, in a concert by the BBC Symphony under Andrew Davis, and will surely have proved immensely gratifying to all concerned. Sackman's output is not large (*Hawthorn* is only his second orchestral encounter); he works out his material with spare, unassuming concentration; his concerns are not at all those of current fashion (i.e. minimalist note-spinning or the Holy-Mystic or the Neo-Brutalist persuasions).

Hawthorn is an example of Sackman's tacitly contained musical argument, yet it manifests an intensity gradually but ineluctably built up, a cumulative power that I have not experienced in his music before. This may have been the "release" provided by a large orchestra, or by the novel (Glyn Hughes's *The Hawthorn Goddess*) which supplied the work's initial inspiration.

Whatever the cause, the music - in a continuous three-part (fast-slow-fast) structure - states its terms with remarkable confidence in their potential, and a control of their dramatic unfolding that kept me intent on the progress of every note. Those terms, described in wildly oversimplified fashion, might be said to be the central opposition of crabbled, jabbing, harmonically complex chordal chunks, rhythmically charged in their groupings, against lyrical lines growing ever freer and lengthier. In the finale, after the ruminatively spacious slow movement has run its course, the argument snowballs to its expansively lyrical coda with an exhilaratingly unstoppable energy which one senses had been honestly earned.

The orchestral colouring is comparably rigorous, with no element of artificial ear-catching, yet similarly strong - punctually athletic brass, striding strings, everywhere a "personal" command of timbre and texture. If (as Sackman suggested in a laconic programme note) *Hawthorn* is indeed something of a dry run for a possible opera based on the same material, I hope our opera administrators are already battling it out for the honour of resting that possibility.

Under Davis, always a sympathetic, precisely commanding interpreter of complex new works, the BBC Symphony gave the impression of relishing Sackman's rugged contrasts - rather more so, indeed, than earlier they had the glitter of Prokofiev's First Violin Concerto. But though the accompaniment may have been bland, the solo part was delivered with a sensational blend of virtuosity, sophistication and purring sweetness: Maxim Vengerov, 19 years old, was making his proms debut, in a way to cap even the most noteworthy of his previous London appearances.

Another of Davis's special gifts is 19th-century English music of an idiom and, on the face of it, less challenging character, to which he brings such sweeping conviction that every ounce of original freshness is recovered. On Sunday, with the BBC Symphony Chorus and orchestra, he revealed this gift new. Delius's *Sea Drift* had Thomas Allen as a mature, affecting baritone soloist; John Ireland's *Iano Concerto* showed Kathryn Gott in sparkling form; in Elgar's *The Music Makers* Jean Elghy's lush mezzo was at once powerfully emotional and tenderly reticent. All three works are Proms rarities, yet Davis allowed no hint of laxity or routine to spoil their latest appearance there.

Max Loppert



Group at the Château de la Faloise, 1857, by Edouard-Denis Baldus

Past echoes of reality

William Packer catches the Gilman collection of photography

The *Waking Dream* is the one serious exhibition of visual art, of any sort, that this year the Edinburgh Festival acknowledges as part of itself. No matter that it comes fully fledged from the nest of the Metropolitan Museum of New York, and flies on to the Hermitage at St Petersburg for the winter: the Festival's engagement with the visual arts was ever thus - indifferent, opportunistic, conscience-free. And we, for our part, should simply be grateful that so many remarkable and wonderful images have been brought over for our delight.

The collection is the creature of Howard Gilman, present chairman of the paper company founded by his grandfather, who has concentrated his interest on photography's first 100 years, that is to say from the moment of its first practical demonstration by William Fox Talbot in the late 1830s up to the eve of the second world war. As a period it would seem to fit well enough, a nice round number that embraces all the principal technical developments, notably the progressive miniaturisation of the equipment and the ever-increasing ease and flexibility of its handling.

But perhaps such scope was, in the event, something of a snare and a delusion. The heart and substance of the show, and of the splendid book-cum-catalogue that goes with it, lie rather with the work of the first 60 or 70 years and its story of early experimentation, rapid maturity and sophistication and at last the conscious expressive potential achieved by the turn of the century. The 20th century is simply too rich a subject to warrant the afterthought allowed it here. Had the show ended at the first rather than the second war, the point would have been better made.

The point, to be fair, is half-acknowledged in the title of the show, which is taken from Keats's "Ode to a Nightingale" and worth the full quotation: "Was it a vision, or a waking dream? Fled is that music: - do I wake or sleep?" To catch the fleeting image on the wing, as picking notes out of the air, had always seemed quite beyond human reach. The note was played and was gone even as it was heard: and the thing seen? That too was gone or was changed even as it was seen, to be recalled only in its simulacrum.

The excitement at seeing those

first shadowy, ghost-like echoes of reality appearing on the page may only be imagined, but it was real enough. Even now we may catch something of it, if only the faintest hint, not as excitement at all but in the poignant frisson of recognition we feel as we look again at those gentlemen, so studiously negligent in their stovepipe hats, those women sitting in dappled sunshine on the lawn, that broom still leaning against the door.

It is the nicest irony that photography should have suffered ever since by the expectation raised at its very invention, that there was a mirror held up to nature. It was

never, could never be, any such thing. The double-irony is that whenever it aspires, therefore, to the condition of art, its inherent and apparent realism is held against it, with affectation and self-indulgence summoned in aid. The truth of it is simple enough. Any fool can use a camera, or a pencil or brush for that matter. The camera is a tool available to the artist, with its peculiar virtues, limitations and disciplines to master and exploit. It is not its picking-up that makes him so but only the use he makes of it.

What makes so many of these early images so potent in their

effect upon the imagination is that whatever else they might have been thinking of, the photographers were primarily engrossed by the mastery of their medium. There is to their work a quality of definition and deliberation that can only be a function of the equipment to hand, and the opportunities it afforded. With everything ready and the pose set, even the landscape seems to hold its breath. Does it matter whether Lady Hawarden, using her daughters and nieces as her models at home in South Kensington, or Horatio Ross out staking on his Scottish estates, thought of themselves as artists or mere amateur technicians? The images they produced are manifest works of art.

The much smaller exhibition, *Photographing Children*, hung low on the wall for the benefit of its young audience, contrives to ask many of the same questions of the photographers' attitudes and intentions. Its subject is the child, as photographed from the Edinburgh urchins of Hill and Adamson in the 1840s, through the conventional studio portraits of the later Victorian to Roger Mayne's Gorbals urchins of the 1940s and so on to the documentary and reportage, of such as Iain Stewart, Francine Dunkley, Owen Logan and John Charity, of today.

The work throughout is wonderfully appealing, and yet it is a curious paradox that for all the technical advantages and freedoms enjoyed by the modern practitioners, their material seems less definitive and universal in its imagery, and more incidental, narrative and sentimental. Is it that just another exposure is, well, just another exposure? Is it that the taking of the photograph is now so easy that all effort and consideration is directed at the mis-enclosure? Or are we simply too close to them to say? Perhaps we are. And perhaps this present glossy professionalism in time will take on the qualities we find even in the vintage prints of the 1950s.

The Waking Dream: Photography's First Century: selections from the Gilman Paper Company Collection; City Art Centre, Edinburgh, until October 3. *Photographing Children*: Scottish National Portrait Gallery, 1 Queen Street, Edinburgh, until October 3; sponsored by EAE Communications.



Alice Liddell as The Beggar Maid, by Lewis Carroll (Charles Dodson), 1859

Mark Morris: three of the best

The audience cheers Mark Morris's second Edinburgh programme even more than the first - as do I. It includes three pieces all new to Britain: the J.S. Bach *Jesu, meine Freude* (good), the Michelle Shocked-Rob Wasserman *Home* (better), and the Lou Harrison (best). As in *Programme One*, the live music is so excellent you could shut your eyes all evening and have a great time. But I imagine that most people, while leaving the Meadowbank Stadium at the evening's close, must feel mighty bewildered - as do I. Who is Mark Morris? How in the world can the same man make three pieces so unlike?

As everyone must know by now, Morris makes homosexual dance look as natural as hetero, and in this respect he is a breakthrough choreographer. But *Jesu, meine Freude* shows another breakthrough side of him, lesser-known: that he means dance to express religious as well as secular conditions. It is very odd to see a dance set without irony to a Bach devotional cantata. Odd, because for over 16 centuries Christianity has been the religion most determined to divide flesh from spirit, and to make dance an irreverent and profane art. But here are 10 of Morris's dancers - dancers of various races, dancers with more flesh than you see in ballet, dancers linked in various AC/DC couplings - rapt in religious devotion.

As a dance, *Jesu, meine Freude* is bright with internal variety. Passages of severe upper-body gestures (reflecting the rigours of religious contemplation) are opposed to sequences of fluent, travelling dance (suggesting the lyric transports of religious rapture). The former keep leading to, are the premise of, the latter; and both grow naturally out of the music. I do, however, detect a certain absence of spontaneity, a slight nearer-my-God-to-thee self-conscious holiness, in the movement style that keeps me from surrendering to this dance's spirit.

Home, by contrast, is a powerful and poetic piece of secular Americana. Set to music composed and performed by Michelle Shocked and Rob Wasserman, it consists of six sections. Numbers 2, 4 and 6 are country music, communal dances, bright-spirited affairs, in which men and women "clog" in leather shoes. Numbers 1, 3 and 5, however, are scenes for women without men,

dark and bleak scenes of women in the agricultural mid-West, while Shocked sings with thrilling force of (no. 1, "I Need a Friend") loneliness, (no. 3, "Stillborn") depression, and (no. 5, "Winter Wheat") impatience. As *Home* alternates between these two tones, it grows ever more moving: harsh and compassionate at the same time.

The evening ends with an extraordinary work, an utter knockout work, *Grand Duo*, a four-part dance for full company. (Its final section, *Polka*, was seen here last year: the rest is new.) The music is by Lou Harrison (b.1917), an American composer whose music Morris has used before; what music of his I have heard strikes me as so superb that I am amazed how seldom it is played here. The *Grand Duo* for Violin and Piano, though composed only five years ago, is vintage modernism: driving, fragmented, with elements of folk music thrown into its furious engines.

Alastair Macaulay wonders how the same man can make three pieces so unlike

The tribal dance that Morris has made to this music is like the *Rite of Spring* you always wanted to see and never have. It is, at one and the same time, (a) a brilliant piece of primitivism, a pulsing vision of an archaic community, (b) a shocking portrait of neurological disturbance, an assembly of people seldom touching but united in violent and helpless gestures that need to be excoriated, their alarmingly frenetic energies emerging from deep within, (c) a work that shows people like cogs in a vast impersonal device, driven by machine rhythms.

Grand Duo is the most thrilling new dance I have seen for many a long month. It is, I believe, the greatest thing that Morris has made since the 1989 *Dido and Aeneas*, and like that and other works of his, a masterpiece. Every praise to the dancers, who are the committed embodiment of Morris's grand design. Because of them, liking his dances is the easiest thing in the world. They make you fall in love again with dancing, dancing to music, dancing as instinct and life force.

Scottish Variety - the Fabulous Fifties

The Edinburgh Festival is resolutely elitist this year (nothing wrong with that, of course). But it did throw up its skirts once for performance of *Scottish Variety - the Fabulous Fifties*.

This was a recreation of the last days of the music hall, when all the Grands and Empires throughout the land still presented weekly variety bills consisting of rough comedians and two sopranos, drag acts and dog acts. But the show at the King's Theatre was hardly a recreation. The theatre has changed little in 40 years. There is the red plush curtain, the brightly painted backdrops, the illuminated number board at the side to identify the acts; and, bless 'em, many of the old performers, Jimmy Logan, the Tiller Girls, and yes, even Susan Maughan, still hoofing it.

Time really was frozen. "Mr Happiness", Johnny Beattie, told jokes about seaside landladies and those idiots from Glasgow with impeccable timing; the Tiller Girls jack-

knifed across the stage, smiles superglued; there was even another chance for that extinct art form, the Scottish sketch, with a Rangers fan converting to Celtic on his knees, and so that the audience would have one less supporter.

Of course you were reminded how awful much of it was - the 1950s must have been the worst decade for music this century - and some acts survived on routines that would make Bob Monkhouse blush. But it was clean and jolly and it really was variety. So what if the trampolines muffled their climax who cares if a Tiller tumbler, and tough luck that Susan Maughan is no longer "Bobby's Girl". The entertainers of the 1950s were at one with their audience and any snarling, expletive-ridden alternative comedian would have been silenced at last by this display of genuine folk art. He might even have risen and joined in the National Anthem at the end.

Antony Thornecroft

INTERNATIONAL ARTS GUIDE

AMSTERDAM

concertgebouw Tonight: Iona rown directs New Sinfonietta. Amsterdam in works by Tippett, ridge, Elgar, Bach and Corelli. Tomorrow: Riccardo Chailly conducts Royal Concertgebouw orchestra in Ketting, Stravinsky and Rimsky-Korsakov. Thurs: Leonid rin conducts Hague Philharmonic orchestra in all-Tchaikovsky programme, with cello soloist Tim ugh. Fri: Lucia Alberti sings Italian para arias. Sun: Heinz Holliger conducts Junge Deutsche Philharmonie in works by Holiger, eress and Schumann, with piano olist Andras Schiff. Next Mon: and van Nieuwenhuisen conducts second Symphony CBSO (24-hour information service 675 4411, ticket reservations 671 8345).

ANTWERP

International festival of cathedral oys' choirs takes place this week in various historical churches (225 323). Borodin Trio plays works

by Rachmaninov and Tchaikovsky tomorrow at deSingel. A tableau vivant celebrating the 500th anniversary of the 16th century poet Anna Bijns can be seen on Fri, Sat and Sun at St Nikolaasplein. Next Mon at deSingel: Mariss Jansons conducts Oslo Philharmonic Orchestra in works by Schnittke, Dvorak and Shostakovich (Antwerp 93: information from Grote Markt 29, B-2000 Antwerp, tel 03-225 9300; booking by telephone from Tele Ticket Service tel 070-233233 or in person at Fnac, Groenplaats, 2000 Antwerp).

ATHENS

Odeon of Herodes Atticus Thurs and Fri: Staats Theatre of Northern Greece presents Sophocles' *Electra*. Next Tues, Wed, Thurs: Zarzuela evening with Amadeo Vives Company. Sep 6-10: Culbreg Ballet (322 1459).

CHICAGO

RAVINIA FESTIVAL Tonight: The Himmakers. Tomorrow: Gospel night. Thurs: Franz-Paul Decker conducts Ravinia Festival Orchestra in works by Mozart and Richard Strauss. Fri: Spyro Gyra and the Brecker Brothers. Sat: John Lee Hooker and John Diamond. Sun: Vietnamese night. Next Mon: actor Christopher Plummer takes a personal stroll through literature. The festival runs till Sep 6 (Tel 312-728 4642 Fax 708-433 4582).

COPENHAGEN

Tivoli Tonight: orchestral concert featuring works by Svendsen,

Nielsen, Elgar and others. Tomorrow: Marcello Viotti conducts concert performance of Verdi's *Otello*, with Cornelia Murgu, Renato Bruson and Nelly Milokovic. Thurs: Copenhagen Violin Quintet. Sat: Beethoven Quartet of Rome plays works by Brahms, Mahler and Beethoven. Sep 7-12: New York City Ballet (3315 1012). Royal Theatre Tonight: Il barbiere di Siviglia. Tomorrow: Carmen. Thurs, Fri, Sat, next Mon and Tues: John Neumeier's production of Prokofiev's ballet *Romeo and Juliet* (3314 1002).

LONDON

THEATRE

● Hysteria: Terry Johnson's new play about Freud, set in London in 1939. Phyllida Lloyd directs. Previews from Thurs, opens Sep 1 (Royal Court 071-730 1745). ● Time of My Life: Alan Ayckbourn's new bitter-sweet drama of middle-class family life in a northern city, with a cast led by Anton Rogers and Gwen Taylor (Vaudeville 071-836 9867). ● Much Ado About Nothing: Shakespeare's romantic comedy, starring Janet McTeer and Mark Rylance (Queens 071-494 5040). ● Inadmissible Evidence: John Osborne's 1964 play about the collapsing world of solicitor Bill Maitland, played by Trevor Eve. National Theatre repertory also includes *The Madness of George III*, Alan Bennett's award-winning history play starring Nigel Hawthorne, and *The Mountaintop*, Pirandello's unfinished play about theatrical illusion, directed

by William Gaskill (National 071-928 2252). ● Separate Tables: Peter Bowles and Patricia Hodge in Peter Hall's production of the Terence Rattigan double bill about hotel guests trying to come to terms with the ageing process and loneliness (Albany 071-867 1115). ● An Inspector Calls: West End transfer of acclaimed National Theatre production of J.B. Priestley's psychological thriller (Aldwych 071-836 6404).

MUSIC/DANCE

Royal Albert Hall BBC Proms: In tonight's concert, Mariss Jansons conducts the Oslo Philharmonic Orchestra in works by Soderling, Bartok, Stravinsky and Dvorak, with viola soloist Yuri Bashmet. Tomorrow's early evening concert features the BBC Singers, Matrix Ensemble and trumpet soloist Hakan Hardenberger in works by Weill, Groez and Zimmermann, followed at 22.00 by a programme of Monteverdi madrigals with The Consort of Musicke under Anthony Rooley. Thurs: Pincus Zukerman is director and violin soloist with ECO. Fri: Witold Lutoslawski conducts British premiere of his Fourth Symphony. Sat: Barry Wordsworth conducts BBC Concert Orchestra in Berlioz, Tchaikovsky, Saint-Saens and Rimsky-Korsakov, with soprano Nancy Gustafson. Sun: Roger Norrington conducts Haydn's *The Seasons*. Mon afternoon: Raymond Leppard conducts BBCSO in Britten, Dohnanyi, Ravel and Tchaikovsky, with soprano Joan Rodgers. Mon and Tues evenings: Kurt Masur conducts Leipzig

Gewandhaus Orchestra (071-589 8212). South Bank Centre Tonight: Anglo-Chilean folk group Alkanza. Tomorrow, Thurs, Fri, Sat: Caribbean Carnival extravaganza. Next week: Opera Factory presents premiere of Xenakis' *The Bacchae* (071-928 8600). Sadler's Wells Daily till Sat: British Youth Opera presents *La boheme* and *La nozze di Figaro* (071-278 8916). Coliseum The 1993-4 ENO season, the first to be directed by the new team of Dennis Marks and Sian Edwards, opens on Thurs with a revival of Simon Boccanegra starring Gregory Ure and Janice Cairns. The opening week also includes performances of Kurt Weill's *Street Scene*, with Josephine Barstow and Lesley Garrett. The first new production is *La boheme*, first night Sep 15 (071-836 3161).

ROTTERDAM

De Doelen Tomorrow: Richard Dufallo conducts Rotterdam Philharmonic Orchestra in works by Brahms, Grieg and Bernstein, with piano soloist Alexander Lonquich. Next Mon: Heinz Holliger conducts Junge Deutsche Philharmonie, with piano soloist Andras Schiff. Sep 1: Arturo Tamayo conducts Rotterdam Philharmonic in Messiaen and Boulez (217 1717).

WASHINGTON

THEATRE ● The Kentucky Cycle: Robert Schenkkan's tale of three families who settle, feud and die for the hills

and hollows of eastern Kentucky. The play, divided into two parts played on separate evenings, spans 200 years of American history, with a cast of 20 portraying 72 roles. Daily except Mon till Oct 23 (Kennedy Center Eisenhower Theater 202-467 4600). ● The Phantom of the Opera: Andrew Lloyd Webber's musical, directed by Harold Prince. Till Oct 2 (Kennedy Center Opera House 202-467 4600). ● Shadowlands: a love story by William Nicholson based on the life of C.S. Lewis and his American wife. Till Sep 5 (Olney Theater 301-924 2739). ● Kvetch: Steven Berkoff's comedy, till Sep 26 (Woolly Mammoth 202-393 3939).

MUSIC

Wolf Trap Tonight: Natalie Cole, R&B. Fri: Anne Murray, easy listening. Sat: NRBO and Bodeans, rock'n'roll. Sun: Vince Gill, country. Next Tues: first of eight performances of Andrew Lloyd Webber's musical *Jesus Christ Superstar*. Sep 8, 9: Bob Dylan (1624 Trap Road, Vienna, Virginia, 703-218 6600). Blues Alley Jazz Supperclub Thurs till Sun: Freddie Hubbard Quintet (1073 Wisconsin Ave, in the alley, 202-337 4141). Merriweather Post Pavilion Tonight: Dance Theatre of Harlem, Paul Taylor Dance Company, Lar Lubovitch. Thurs: Tom Jones. Sat: Steely Dan. Next Mon: Jethro Tull and Procol Harum. Sep 1: Tony Bennett and Count Basie Orchestra (301-982 1800).

ARTS GUIDE

Monday: Performing arts guide city by city. Tuesday: Performing arts guide city by city. Wednesday: Festivals Guide. Thursday: Festivals Guide. Friday: Exhibitions Guide.

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The chancellor's dilemma: an inside view

Don't borrow, charge



The theme of these articles has been that the state of the public finances is the central economic policy problem facing the government today. It is simply imprudent for the government to undertake spending which exceeds its revenues by a fifth. Borrowing £50bn a year, much of it from foreigners who may at any point decline to go on lending to us, is a risky strategy.

The problem has arisen partly because recessions are always bad for the public finances. Elections are also bad news, as spending is increased and/or taxes are cut in the pre-election period. The combination is unusual - governments usually do their best to prevent elections and recessions from coinciding - and it has proved lethal.

The unexpected length of the recession, which meant that the election was repeatedly deferred while waiting for the elusive upturn, subjected the Treasury to two pre-election public spending rounds.

With the cards thus stacked in favour of spending ministers, public spending has, after three successive years of 4 per cent real growth, already risen by more under Mr Major than it did in the entire period in office of Mrs (now Lady) Thatcher.

The spending spree has coincided with a shortfall of revenue that has been intensified by the recession. Together these factors have created a borrowing problem more serious than that of the 1970s, the last time that the government borrowed on this scale.

Now, as was the case then, new borrowing is causing the stock of debt to rise rapidly. Then, however, incomes were rising even faster because of inflation. So the government's debt-to-income ratio, which is the key variable, actually fell. Today's low rate of inflation means that the large borrow-

ing requirement is pushing up the government's debt-to-income ratio extremely quickly.

There is, fortunately, time to deal with the problem. Though the finances are deteriorating rapidly, they do so from a very favourable starting point. The government's debt was less than a third of the national income and is expected to rise to around a half. It can still be stabilised close to the level that Mrs Thatcher inherited from Labour, though that will require difficult decisions.

The problem is that any way out of the borrowing trap conflicts with other cherished objectives. Consider what the different options are:

Raise direct taxes? Hardly, because the Conservatives won a closely contested election by contrasting their own tax-cutting record (and promises of further cuts) with Labour's shadow Budget, which pencilled in higher taxes to pay for more public spending.

Increase indirect taxes? Less difficult politically, since a shift from direct to indirect taxes has been the thrust of Conservative tax policy since 1979. But putting up indirect taxes would raise inflation, and the underlying rate is already uncomfortably close to the government's new inflation target erected since Britain left the ERM.

Cut public spending? Too late to implement cuts in 1994-95, as the decisions have already been taken, but cuts in later years must be on the cards.

Confronted with these unpalatable choices it will be very tempting to do nothing, especially if the recovery improves the public finances. The do-nothing school will also draw comfort from the Bank of England's success in funding the deficit. So far the markets have absorbed the

massive flow of new gilt issues without a tremor. Why risk disturbing a fragile recovery in the interests of reducing a large PSBR that isn't a problem?

The answer to these siren voices is that borrowing is a problem. If it is not tackled now, it is hard to see when it ever will be. The fact that the debt is being sold relatively easily is little comfort. It is not hard to sell debt on a coupon of nearly 8 per cent when headline inflation stands at 1 per cent and the government is aiming to keep underlying inflation in the lower half of a 1-4 per cent band. The debt sales achieved this year are better than a funding crisis, but they also constitute a millstone round the neck of the taxpayer.

The interest charges on £50bn of debt at 8 per cent come to £4bn per annum for the foreseeable future - 2 per cent on the income tax rate, with all the adverse effects on incentives that entails and no

public spending to show for it. And next year's borrowing will add another 1½ per cent, with more to come in later years.

Mr Clarke will find, like all borrowers that the longer he delays the correction, the bigger the problem he faces.

The brutal fact is that, with public spending at these levels, the only choice facing Mr Clarke is between higher taxes now and higher taxes later.

Being an astute politician he may prefer to face up to the problem now, with the next election still some way off, rather than be forced into unwelcome action nearer to polling day. He may also reckon that putting up taxes in the coming Budget will make it politically easier to secure the necessary reductions in public spending next year.

I say reductions in spending, rather than cuts, because (as I argued in an earlier article) nobody wants to see lower standards of public provision. But if borrowing must be reduced and cuts are ruled out, the only alternative to putting up taxes is to introduce charges. This is a big political step, but the size of the problem, and the obstacles in the way of conventional solutions, calls for radical action.

There is no shortage of good ideas. The government has already moved in the right direction on roads. The private finance initiative will bring new private funding in to road building, attracted by the prospect of making a commercial return on capital in the new world in which road users will pay for the use of premium roads.

The crisis over the provision of university places for all those who achieve adequate grades would be quickly solved by making students bear some proportion of the fees, as happens in many other countries.

The quiet revolution in dentistry, where much of the work is now cosmetic and undertaken privately, points the way to the introduction of charges, for those who can afford it, for other health services. The "hotel charge" for hospital patients is one obvious example.

Mr Clarke has a reputation as a courageous politician, unafraid of tough decisions. He has said his instincts are tax-cutting instincts, but he is not instinctively hostile, as some on the right are, to public spending. As a man of the "hard centre", he should seize his opportunity to steer a new middle course: maintain the standards of public provision but make those who can afford to pay for it do so.

Bill Robinson

The author is a former director of the Institute for Fiscal Studies and served as a special adviser to the former chancellor, Mr Norman Lamont

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Wind farms generate storm

From Dr Michael Grubb.

Sir, In his article "An ill wind of change" (August 19), David Lascelles states that wind energy is "not a subject of rational discourse". It is a pity that one of the FT's finest writers then demonstrates this by raising five objections to wind power that betray a depressing misunderstanding of the issues involved.

Two of his five arguments are that the UK has no need for additional generating capacity and that the existing resource base gives little value to diversity. Both are true for the next 10-20 years; both are grounds for not building any additional capacity; both are arguments that have been consistently rejected by governments and many others in the support of nuclear power because they are too short term.

On the timescale that it takes to develop substantial capacity of any non-fossil source, current plant capacity will be outstripped. North Sea oil and gas production will decline, as will the availability of low-cost UK coal. And the outlook for imported oil and gas prices at least will become increasingly volatile.

Mr Lascelles' third argument, that wind's variability is an important objection, is plain wrong. Variations in wind output cause far fewer operational problems than the tripping of a single main power generating set. Like an investment portfolio, what matters is the correlation of a new input with other variations on the power system.

In fact wind energy is well matched to demand on a seasonal basis and many technical studies have shown the short-term variability, at the levels being considered over the next two decades, to be economically irrelevant.

The statement that wind energy is environmentally insignificant because its contribution will be very small is true for this decade. But in the longer term, "10 per cent of electricity" is neither small nor an ultimate limit, and its environmental benefit will be proportionately much larger because it will displace the dirtiest main plant on the system. It could easily displace 20-40 per cent of power system sulphur dioxide emissions, for example.

Resource estimates are largely subjective, but obtaining 10 per cent of electricity from the wind would require wind turbines to be a significant landscape feature in about 1 per cent of the UK, not allowing for any possible offshore siting. The acceptability of that is subjective, but public opinion surveys in areas that have wind farms reveal a large majority in support.

Which leaves us with the economics. Current wind farms are certainly more costly than power from new gas stations at current prices, or existing coal stations.

But with the costs falling steadily as this nascent industry becomes a big business, it is likely to be competitive if

gas prices rise and against new coal or nuclear stations.

The central point is that new energy industries cannot be created overnight. The government has created a system of phased supports to reflect indirect costs of conventional production and to help the early stages of an industry that is likely to be an important component of sustainable energy supplies.

As part of a major project on renewable energy strategies, I at least have been led to the conclusion that it is a remarkably rational and valuable policy. Michael Grubb, head, energy and environmental programme, Royal Institute of International Affairs, 10 St James's Square, London SW1P 4LE

From Dr I D Mays, Dr D Lindley and Mr M Trinick.

Sir, Anybody reading David Lascelles' article on wind farms can be in no doubt about his personal views on the development of wind energy. Regrettably, he rests his case

largely on the basis of erroneous information.

He claims that the recent decision to allow construction of a wind farm at Four Burrows in Cornwall is the fourth instance where the environmental secretary has pushed through a wind farm against the wishes of people who live nearby. This is quite wrong. The other three projects referred to by the secretary of state - Overton Moor, Kirby Moor and Cammase - were approved by local planning committees. The government decided that a wider examination in public should be undertaken.

At Four Burrows the inquiry ensued when the planning committee rejected the advice of its professional planning officers to grant permission. The technology is certainly not, as Mr Lascelles argues, "a long way from commercial operation". Let us be clear on energy costs. On sites having only a modest wind speed, the cost of wind-generated electricity over a typical 20-year plant life is about 4.5p per unit, and is coming down. On windier sites such as are found in parts of Scotland, the price can be substantially lower. Comparing this, on the same accounting basis, with the prices for electricity from new conventional

power stations, we have coal at about 4.5p/unit, combined cycle gas at 2.5p/unit and nuclear at at least 7p/unit.

As things are at present, wind is not the cheapest. But the costs quoted here for conventional power projects do not include the external environmental and social costs that they incur. Evidence presented to the Commons energy committee last year showed that external costs added about 0.75p/unit for combined cycle gas and 2p/unit for coal and nuclear. Wind, which requires no fuel to be won or transported, produces no carbon dioxide or other atmospheric pollution and has no legacy for future generations. It does not suffer from the associated external costs. It is competitive with coal and cheaper than nuclear.

Mr Lascelles seeks to belittle the significant contribution that wind energy can make to our energy needs. The UK has vast wind assets, almost half Europe's wind resource. This is equivalent to more than double our current electricity demand. Taking account of its fluctuating nature, siting constraints, and integrating it into a practical and flexible system it is reasonable to expect that wind energy could supply 10-20 per cent of our electricity early in the next century and provide valuable diversity of supply.

And what of land usage? To generate 10 per cent of our electricity from the wind would require wind farms extending over 1,200 sq km (not 4,000). This is only 0.3 per cent of the UK land area, and because wind turbines occupy less than 1 per cent of the area in which they are sited, the actual land usage would be only 12 sq km. In the other 1,188 sq km, cows could still safely graze and crops ripen around and below the turbines.

Of course, the main environmental advantage of wind is that it is a clean energy source. Were the policy, planning and regulatory frameworks to allow us to achieve the 10 per cent tomorrow, the immediate benefit would be to avoid pumping 30m tonnes of carbon dioxide, 30,000 tonnes of sulphur dioxide and 60,000 tonnes of nitrogen oxide into the atmosphere each year, and without the long-term safety commitment the nuclear industry has yet to face.

Mr Lascelles might not like wind farms, but the evidence of independent public opinion surveys shows that less than 10 per cent of the general public, including those living around wind farms, do not like them. The substantial majority are in favour. What they are not is uneconomic or unnecessary. I D Mays, D Lindley, M Trinick, British Wind Energy Association, Eaton Court, Maylands Avenue, Hemel Hempstead, Herts HP2 7TR

of independent public opinion surveys shows that less than 10 per cent of the general public, including those living around wind farms, do not like them. The substantial majority are in favour. What they are not is uneconomic or unnecessary.

I D Mays, D Lindley, M Trinick, British Wind Energy Association, Eaton Court, Maylands Avenue, Hemel Hempstead, Herts HP2 7TR

From the Rt Hon David Howell, MP.

Sir, David Lascelles is quite right about wind farms. They are environmentally menacing while making not the slightest sense in energy terms. Even at the height of the oil crisis in the early 1980s, when I was energy secretary, I was never shown any evidence that wind power could become a remotely economic source of electricity.

Why the government should now be approving these intrusive and moaning monstrosities in some of the most beautiful areas of our country I cannot understand. Cornwall and mid-Wales have already been scarred. Now there is a threat to dot these latter structures along the hills either side of the Upper Wye Valley.

I hope that on both environmental and energy policy grounds the government will withdraw its encouragement for any more of this desecration and waste. If we must have huge wind farms at all, they should be sited on the less attractive parts of our shoreline.

David Howell, MP, House of Commons, London SW1A 0AA

From Mr Roy R Martindale.

Sir, May I congratulate David Lascelles on his most objective article on wind power.

As he indicates, it would take thousands of wind generators to replace one large power station, and the capital costs involved clearly favour more traditional generating methods. However, I would point out that the economic argument against wind generation is even worse than that set out in the article.

In the UK, the highest levels of electricity demand arise when there is a settled high-pressure weather pattern in mid-winter, producing sustained low temperatures. Such conditions provide little wind at times of greatest need.

Consequently, wind generation requires backup alternative generating capacity to avoid a shortfall in supply. The cost of this duplicate capacity constitutes an additional subsidy to wind generation. It also poses the question, why does one need two generating systems when one reliable one will do?

Roy R Martindale, 42 Ruskin Close, Rugby, Warwickshire CV22 5RU

Companies still weighed down by burden of tax regulations

From Mr Malcolm Bachus.

Sir, According to your article on deregulation and the Department of Trade and Industry ("Heseltine's crusade progresses in silence", August 20), Tim Sainsbury, UK industry minister, believes the message of deregulation has been "received and understood" and "co-operation with other departments is 'getting better'".

The members of the London Society of Chartered Accountants would beg to differ. From the perspective of our clients, while the government looks at a large number of petty regulations, it is failing miserably to tackle the largest burdens of them all - the tax and accounting regulations.

The Manchester Business School in 1991 estimated that

an average business spent 20 per cent of its pre-tax profits dealing with company and tax regulations. This percentage would have been higher for smaller businesses which make up the majority of British industry. Since then, of course, the recession has turned many profits into losses but the red tape has not stopped rolling.

The recently approved Finance Act, for example, was the second longest ever at 300 pages. It introduced no fundamental changes but dealt with so many issues in such technicality that all but the largest companies will be forced to turn to their tax advisers for more help. Many companies will be required to change their accounting or tax software to cope, and almost all

companies will find the time they spend on tax administration increasing still further. Pay-and-file, another recent piece of tax legislation, is also adding heavily to that administrative effort.

Before we are convinced that the message of deregulation has been received, let us see some positive co-operation between the Treasury (with the various tax authorities) and the DTI. Let us see all legislation evaluated for its cost/benefits and a massive reduction in the tax and accounting trivia inflicted on us.

Malcolm Bachus, chairman, London Society of Chartered Accountants, 20 Old Bailey, London EC4M 3BH

FDA should accept performance pay

From Mr Peter M Brown.

Sir, While welcoming the Treasury's offer to extend performance pay rather than automatic annual increments to First Division Association (FDA) civil servants, we were astonished to see the association claiming that actual pay rises for their members would be 1.25 per cent as increments were self-financing.

In a recession, when recruitment is reduced and promotion delayed, incremental salary systems are bound to add a higher than normal percentage to payroll costs.

It is partly for this reason that our hospital clients are examining alternatives to the

Whitley Council scales, which have resulted in 4 per cent increases in payroll costs in a year with a 1.5 per cent pay limit. Only the 1.5 per cent is taken into account when health authorities and others are negotiating treatment rates, which may help to explain the financing crisis in so many hospitals.

Although easy to operate, incremental systems have had their day through their automatic awards for long service but often marginal performance.

I hope the FDA will not only accept the Treasury's offer but champion more actively reward systems that allow the

opportunity to earn higher discretionary rewards.

The recent Top Salaries Review Body Report highlights the increasing and serious differential between top public and private pay. If automatic increments were dropped in favour of evaluated performance increases the nation could probably be much more willing to accept a significant increase in top civil servants' wages, and incidentally, MPs' basic pay.

Peter M Brown, chairman, Top Pay Research Group, Upper ground floor, 9 Savoy Street, London WC2R 0BA

Raise status of vocational training

From Dr D P Smith.

Sir, While I agree wholeheartedly with the views expressed by Mr J E Troth regarding the stigma of the work-based vocational route for 16-year-olds ("Training on job needs better image", August 18), I would suggest that there are two main obstacles to progress.

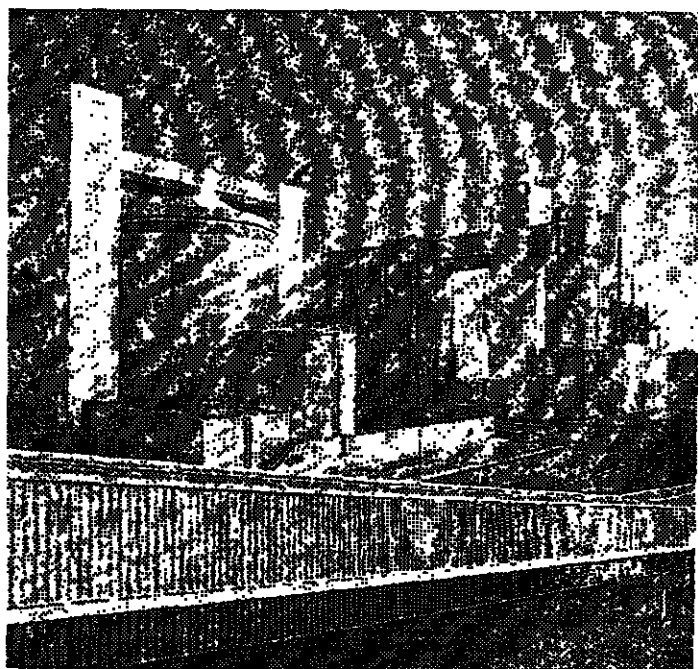
The first is the absurdity in which schools get a full year's money for each pupil entering sixth form, even if the pupil leaves after a few weeks; the second, a careers service that is both under-resourced and falls under the quasi-political control of the local education authorities which still control most schools.

One solution would be to make the careers service independent and give each 16-year-old a training credit (as advocated by the Confederation of British Industry), which could be used to pay for training at school, college or via youth training with an employer who offers a full-time job from day one. Payment would be made only on the achievement of results.

Real progress towards giving 16-year-olds a genuine choice will be made only when we have a combined department of education and training that puts equal value on all post-16 education and training.

D P Smith, managing director, ETA, Swan Court, Waterhouse Street, Hemel Hempstead, Herts HP1 1DU

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FINANCIAL TIMES

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Barter offers crumb of comfort

David Dodwell looks at how a trader helped a troubled US biscuit maker

WHEN Keebler, the troubled US biscuit maker, saw a high-profile product launch fall flat last year it was left with \$1m worth of unusable packaging.

Rather than write it off as scrap, Keebler talked to Atwood Richards, a leading US barter group.

Instead of buying the packaging alone, Atwood asked Keebler, the US subsidiary of United Biscuits of the UK, to fill the packs with biscuits and agreed to buy the filled packs - worth \$14m - for sale only in markets where Keebler had no presence. Russia, Ukraine, Belarus and the Baltic states were targeted.

Keebler was to be paid in "trade credits", which were eventually exchanged for packaging, shipping services and marketing. Atwood used royalties paid by the Russians to buy local products and services.

Atwood also offered Keebler the right to take over the distribution network it had set up in eastern Europe.

For Keebler the deal had many attractions: it did not have to write off out-dated stock; it exploited unused capacity on its production line to fill the packs; it was paid the full wholesale price - or its equivalent in trade credits - for its incremental production; and gained, at no cost, marketing and distribution networks in new markets.

Atwood's distinction over 35 years as a trader has been to stretch the boundaries of barter.



The sector is traditionally associated with commodity trading, the former communist regimes of east and central Europe, and with the disaster-driven improvisations of companies trying to fend off the receiver.

It may be a man's suit maker who missed this season's switch to double-breasted suits, or a factory with spare capacity during the winter - or Keebler packaging made useless overnight by a new marketing campaign.

With an estimated \$13bn of unused or surplus merchandise in warehouses across the US alone, Mr Moreton Binn, principal shareholder in Atwood, has the chance to make barter

relevant to mainstream business wherever it is based.

Garments account for perhaps 40 per cent of Atwood's overall business. Seasonal goods are also significant as retailers seek to clear shelf space before autumn and winter.

"The world is a buffet," Mr Binn notes. "There is always somebody, some place in the world that uses or needs barter."

Atwood's business is finding alternatives. Its distinctive strengths lie in marketing, distribution, and achieving a range in the inventory of goods and services it can offer. Companies can spend their trade credits on products as diverse as packaging, office furniture, hydraulic presses, mainframe computers and refractory products, and services such as airline seats, hotel rooms, cleaning services, or television advertising space.

It has bought and sold between Omega, the watchmaker, US Steel, Goodyear Tyres, Canon, Massey Ferguson, Amoco and JC Penny.

Mr Trevor Edwards, head of the group's London office, confesses that the first response of a company executive to an approach from Atwood is cool.

"People are approached almost on a daily basis by people wanting to buy stock for cash. But the offers are so desultory that they ignore them. Often they're as low as 20 per cent of wholesale value. When I say we will buy at near to wholesale price, companies often

think it's another come-on," he says.

In Skelmersdale, in the north of England, Mr Geoff Marsden, managing director of Snack Factory, a recently established supplier of crisps and other snack foods to the UK market, was no exception when he received a call from Mr Edwards to discuss a barter deal worth \$5m a year for two years, allowing Atwood to sell the company's crisps across Europe. "I'm treating all this with my tongue in my cheek, but there is no cost for me to try it," he says.

"At present, I can't think of a negative. It allows me to do some test marketing and establish distribution in markets I don't have the time or resources to target myself."

According to Mr Binn there are just four components of a company's costs that cannot be bartered for: wages, rents, utilities such as water and electricity, and bank charges. Beyond these, which may account for half a company's outlay, there is no reason any other cost must be monetised.

He says his company is not a venture feeding on recession-injured companies.

"The business survives at all times. Not all businesses do well at the same time. Nor is the world that efficient. And trying to predict what the market for your product is going to look like next year is the biggest gamble of all."

Taiwan may underwrite BAe venture

By Daniel Green and Dennis Engbarth in Taipei

TAIWAN may guarantee loans as part of a package to save a £250m joint venture between British Aerospace and Taiwan Aerospace Corporation.

Mr Yang Shih-chien, deputy minister of economic affairs, said yesterday that he did not rule out the Treasury making loan guarantees if the two sides failed to agree on financing the deal.

He was speaking after 16 hours of talks in Taipei between Taiwanese officials and Mr John Cahill, BAe's chairman, failed to settle disagreements on financing and technology transfer.

Mr Cahill and his team of four senior executives will continue their attempt to rescue the deal this morning. Both sides remained optimistic that a deal would be concluded even if talks spilled into a third day.

The Avro joint venture is central to Mr Cahill's strategy to improve BAe profitability. The RJ series of regional aircraft, which would be built partly in Taiwan under the joint venture, loses money for the company.

BAe said proposals it had received from Mr Liang Kuo-shu, chairman of the Chiao Tung Bank, the Taiwanese state-owned bank, "were positive". The Chiao Tung Bank leads a banking con-

sortium that is due to provide all the initial working capital for Avro. Some members of the consortium want stronger guarantees that technology, design and manufacturing skills will be transferred to Taiwan.

The original joint venture contract signed in January "was rather loose", Mr Yang, who has been closely associated with the proposal, said yesterday.

The banks also want assurances over the status of assets BAe is putting into the joint venture company - land, plant and machinery in the UK - as collateral.

Taiwanese law prevents a bank from making unsecured loans to

a company in which it has more than a 3 per cent stake. This threshold is breached by the Chiao Tung Bank, which owns significantly more than this.

Financial specialists with the Chiao Tung Bank were at the centre of the talks in Taipei which lasted until almost midnight.

In a further step to reassure the banks yesterday, the government drafted an official letter stating its commitment to Avro, after the banks indicated the government's earlier verbal support was insufficient.

World stocks, Page 29

VW clash

Continued from Page 1

Ignacio López de Arriortúa, the VW production director, and three of his associates.

VW stopped commenting on the theft and industrial espionage probe more than a week ago, when it refused even to deny new media allegations that 11 of its employees transferred confidential Opel data in Volkswagen computers.

General Motors officials have consistently refused to talk peacefully while VW failed to withdraw its charges, stressing that their legal complaints made no mention of VW itself.

French central bank signals easing of monetary policy

Continued from Page 1

expecting cuts in the intervention rate, which provides a floor for the discount rate, which provides a floor for money market rates and stands at 6.75 per cent, and the 10 to 10 day borrowing rate, which stands at 10 per cent.

The timing of reductions in French interest rates will depend on the Bundesbank's council meeting. If it decides on a cut in German rates this would allow France to trim its intervention rate, perhaps as early as next

Monday. However, unchanged German rates could lead to renewed pressures on the franc.

Investors are eager for further rate cuts in France to help revive the recession-hit economy and are not particularly concerned with any impact on inflation.

The inflation figures for July, released yesterday by Insee, the national statistics institute, supported this view. The figures confirmed that consumer prices rose by just 0.1 per cent in July, compared with June, and that annualised inflation at the end of last month was down to 2.1 per cent.

S Africa

Continued from Page 1

productivity in the non-agricultural sectors had increased at a rate substantially higher than in the past; however this reflected less a strong commitment to work than a more rapid rate of retrenchments. Growth in productivity continued to fall below pay growth, so real unit labour costs continued to increase.

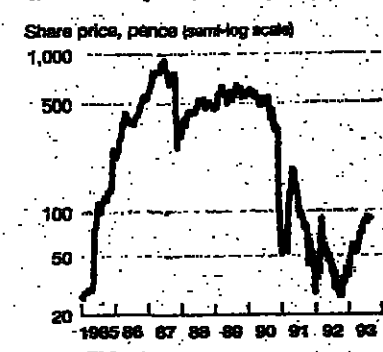
But inflation appeared to be coming under control, with the consumer price index falling from 16.8 per cent in October 1991 to 10 per cent in June 1993, despite a 4 percentage point rise in value added tax in April.

THE LEX COLUMN

Marking the French test

FT-SE Index: 3042.0 (-15.6)

WPP Group



All, which requires either drastic pruning or complete uprooting. Yet with alternative use values for the out of town, sites so low, the cost of exit is almost unbearable. Boots' strong cash flow might allow it to take the pain of closing Do It All, but its partner WFP Smith is not so well placed. Smiths may well show a cash outflow when it reports full-year figures tomorrow, and its smaller balance sheet would be hard pressed to take the strain. If that means that the agency is doomed to continue in the sheds which only cost DIY shopkeepers £2m-£3m, what might happen to food retailers faced with a similar plight in air conditioned freehold barns costing £25m apiece?

Lloyd's

The modest queue of corporate financiers forming outside Lloyd's must be heartening for the management of the stricken insurance market. Whether investors will be tempted to put money into Finsbury's treasury or any of the other investment vehicles waiting in the wings remains an open question. Since the terms on which corporate capital might be admitted will not be decided by Lloyd's council until next month - and not till the vote until October 20 - there can be no sure answer.

For corporate capital to stand a chance of participating in the 1994 underwriting year, the bankers will have to move fast thereafter. Finsbury has opted for an investment trust, Sedgwick and BZW are working on a quoted investment company. US investment banks will doubtless have their own novel ideas. All will stand or fall, though, on their ability to pick

winners among underwriting syndicates.

WPP

The banks which agreed to last year's debt-for-equity swap at WPP may be pleasantly surprised by the recent run of the shares. Yesterday's closing price represents a handsome premium over the level at which their preference shares can be converted next week. Little wonder that most fully intend to exercise that option and take profits, rather than hang on in the hope of more.

The conversion will act as a drag on the shares, since buyers will have to be found for around 11 per cent of WPP's share capital. The situation is likely to recur next year when the banks are free to convert their remaining preference. Longer term prospects turn, though, on WPP's ability to generate more revenue while keeping a lid on costs. Revenue growth of 6 per cent in the first half - once exchange rate movements are stripped out - and a slight improvement in margins is thus encouraging.

But with recession taking hold in Europe and only a sluggish recovery in the US, that rate of progress can not be taken for granted. Discounting in markets from cigarettes to telephones also poses a threat to the branded goods companies on which WPP depends. One response by its clients would be to defend market share and the remaining price differential of branded goods over generic products by increasing marketing spend. The wary alternative would be to defend margins by taking an axe to advertising.

British Rail

British Rail's management seems wedded to the notion that the best way to raise net revenues at times of weak demand is to cut services and raise prices. Such an attitude comes naturally to a monopoly which believes it can shamelessly exploit a captive customer base. Even in Network SouthEast's commuterland, it is starting to look old-fashioned.

Sooner or later a policy of charging more for less will lead inexorably to lower rather than higher revenues. If nothing else, private ownership of rail would surely see a more imaginative approach to revenue generation. Increased usage might even produce a lower unit cost, for all the expensive track and signalling infrastructure.

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Five-day forecast

The zone with thunder showers and rain will move south-east bringing lower temperatures as far south as Greece by Friday. Showers will slowly decrease over north-west Europe, although Scandinavia will stay mostly cloudy and showery. Warm and sunny conditions in the Mediterranean will be interrupted frequently by thunder showers. A lot of rain will fall east and south of the Alps until the weekend.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	31	Geneva	15	Frankfurt	20
Accra	31	Belgrade	17	Manchester	16
Algiers	31	Berlin	18	Madrid	22
Amsterdam	15	Bombay	30	Moscow	15
Athens	33	Buenos Aires	16	Mumbai	27
B. Aires	28	Budapest	29	Nairobi	26
Bham	17	Chengdu	16	Paris	17
Bangkok	32	Colao	35	Perth	16
Batavia	28	Cape Town	21	Praha	17
Beijing	30	Caracas	29	Rangoon	31
		Faro	22	Reykjavik	17
		L. Angeles	24		
		Las Palmas	21		
		Lima	24		
		London	17		
		Lyon	17		
		Madrid	22		
		Managua	34		

Forecasts by Meteo Consult of the Netherlands

Location	Temp	Location	Temp	Location	Temp
Malta	34	Rio	27		
Manila	31	Riyadh	43		
Medan	22	Rome	30		
Mexico City	18	S. Francisco	21		
Miami	23	Singapore	31		
Milan	28	Stockholm	15		
Montreal	27	Strasbourg	25		
Moscow	14	Sydney	20		
Munich	16	Taipei	23		
Nairobi	26	Tokyo	31		
Naples	32	Toronto	30		
Nassau	27	Vancouver	18		
New York	21	Vernon	28		
Nice	17	Warsaw	18		
Oslo	17	Washington	32		
Paris	16	Wellington	18		
Perth	16	Whangpoo	27		
Praha	17	Zurich	17		

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INTERNATIONAL COMPANIES AND FINANCE

Austria's leading brewer seeks to raise Sch1.9bn

By Ian Rodger in Vienna

BRAU Beteiligungs (BBAG), Austria's leading brewery group, is seeking to raise Sch1.9bn (\$160.5m) through a rights issue for itself and a warrant rights issue for its main subsidiary, Brau Union.

The group, which dominates the Austrian beer market with a share of more than 60 per cent, has also disclosed first-half consolidated pre-tax profit of Sch333m, up from Sch199m last year. All but Sch37m of the rise came from property and share sales.

BBAG, one of Europe's largest brewing groups with annual output of over 8m hectolitres of beer, has undergone a restructuring in the past year, simplifying a complex web of cross-holdings among Austrian brewers. Two main sub-groups, both quoted on the Vienna Bourse, have emerged.

Brau Union, in which BBAG has a 66 per cent stake, has all the group's brewing interests, both in Austria and in eastern Europe. BBAG itself bottles soft drinks, mineral waters and fruit juices.

BBAG's first-half consolidated sales were up 5 per cent to Sch5.2bn. Mr Christian Beurle, chief executive, forecast that pre-tax profit would rise 19 per cent to Sch550m in the full year.

Proceeds from the rights issues are to be used for financing expansion opportunities in eastern Europe. Both issues are on the basis of one new share for every five held. Prices will be struck on September 30.

The BBAG issue is a conventional one, with a two-week exercise period. The Brau Union issue will run for six months from October 22.

"It is really a rights issue disguised as a warrant," Mr Walter Schuster, deputy director of capital markets at GiroCredit Bank, said. Mr Schuster, who conceived the idea, said the problem was that both companies wanted to raise new capital, and their plan was for BBAG to go to the market this year and Brau Union a year later.

Schwechater Holdings, which owns 68 per cent of BBAG, will not be taking up its rights, so its stake will fall to 52 per cent. A banking group led by GiroCredit and Creditanstalt in Austria and Credit Suisse First Boston abroad, is underwriting the BBAG issue, and will place available shares with domestic and foreign investors.

The Brau Union issue is not being underwritten. BBAG is not taking up its rights, and the banking group will try to sell these shares in the market.

Cost-cuts and weaker krona lift SSAB profit

By Christopher Brown-Humes in Stockholm

COST-CUTTING and the weaker krona helped SSAB, the Swedish steel group, more than double first-half pre-tax profits, to SKr338m (\$42.5m) from SKr128m, despite the difficult market conditions which continued to depress sales.

The group, privatised last year, said it had cut processing costs by 5 per cent since the 1992 first half and by 10 per cent since 1990. Staff numbers have fallen by 2.6 per cent to 9,700 since the year-end.

Lower volumes led to a 2 per cent decline in sales to SKr6.35bn, even though prices were 3 per cent higher in krona terms because of the weakening of the Swedish currency.

The group's steel plate division, SSAB Tunnplatt, lifted profits to SKr58m from SKr16m, while the heavy plate unit boosted profits to SKr103m from SKr55m. Both the building products division, Plannja, and the Tinnor trading unit returned to the black, with profits of SKr33m and SKr13m respectively.

SSAB said it expected to make a profit in the second half for the first time since 1990. Last year it made a SKr165m loss.

Dogfight in Canada's skies nears climax

Bernard Simon reports on what has become a bitter and messy corporate battle

A BARRAGE of noisy volleys over the past fortnight suggests that the drawn-out fight for survival between Canada's two main airlines is nearing a climax.

Air Canada and Canadian Airlines International are firing every weapon at their disposal as each seeks supremacy in a battle which has become increasingly frantic, but remains as confused and unpredictable as when it began almost two years ago.

The only certainty is that both airlines, with combined debts of C\$4.2bn (US\$3.3bn), are bleeding profusely. Foreign carriers complain that fare-cutting by the two combatants is severely undermining the profitability of their Canadian routes. "Whatever one does, the other will do in spades," says the representative of one European airline in Toronto.

Mr Ted Larkin, analyst at Bunting Warburg in Toronto, predicts that whatever the outcome, the survivor (or survivors) will require a heavy injection of equity.

The latest salvos have come from Air Canada, which is desperately trying to thwart a planned alliance between Canadian and AMR Corporation of Dallas, parent company of American Airlines.

AMR would secure Cana-

an's future by infusing C\$340m of new capital in exchange for a 33 per cent equity stake. But the US carrier has put a gun to Canadian's head by setting an end-1993 deadline for the deal to be finalised.

As an alternative to the American deal, Air Canada last week offered to pay C\$200m for Canadian's offshore routes to Asia, Europe and South America. It would also take over leases on the aircraft which currently fly those routes, making the total deal worth about C\$1bn. Canadian would be left as a domestic carrier.

Air Canada's offer, like other moves it has made, is shrewdly timed. As a former quasi-state-owned corporation which was privatised in 1989, the Montreal-based airline "knows how to pull the levers of politics", one Toronto analyst says.

The proposal comes on the eve of crucial votes on August 27 by shareholders and creditors of PWA, Canadian's parent company, on a financial restructuring. Air Canada's offer to take over some of the jewels of Canadian's fleet means that senior creditors who hold the leases on these aircraft can look forward to cash payments, rather than the near-worthless common shares offered to them under PWA's restructuring plan.

Air Canada has also sought

to defuse criticism that any solution other than the deal with American would result in huge job losses at Canadian, especially on its home turf in western Canada. Air Canada has offered, for instance, to set up a wide-body jet maintenance base in Vancouver and to employ all Canadian's international crews.

Meanwhile, the Montreal-based carrier has shored up public support on its own doorstep by signing a tentative letter of intent last week to buy up to 48 Canadair Regional Jets from Bombardier, the transportation group whose main assembly plant is also in Montreal.

Canadian has so far rejected Air Canada's overtures outright. Mr Rhys Byton, Canadian's chairman, called the bid for its routes part of "a diabolical plot" to kill his airline.

If nothing else, having to shrink Canadian from an international airline flying to five continents to an insignificant domestic carrier would be a severe humiliation. Canadian has its roots in Pacific Western Airlines, which was a profitable regional carrier before it over-stretched by swallowing Canadian Pacific Airlines and Wardair in the late 1980s.

Mr Larkin says, however,

that Air Canada's latest proposal plus American's year-end deadline have put Canadian against the wall. "The options have become more limited," he says. "Time is running out."

Canadian has pleaded for the government to come to the rescue, though it has yet to specify in what way. It argues that if the deal with American collapses, thousands of jobs will be lost and the national interest damaged by leaving Air Canada as an unfettered monopoly.

Loan guarantees from the federal and several provincial governments have helped keep Canadian flying for the past year. But with a general election looming, politicians are now more reluctant to become involved as they find themselves torn between two high-profile companies, each with its own powerful regional constituency.

The dilemma for the government is epitomised by the fact that Ms Kim Campbell, the prime minister, comes from Vancouver, while her transport minister, Mr Jean Corbeil, is a Quebecer.

Canadian's best (and perhaps last) hope of clinching the deal with American lies with the quasi-judicial Competition Tribunal in Ottawa.

The tribunal will convene on September 8 to consider the

latest of many tortuous attempts by Canadian to extricate itself from the Gemini computerised reservations system, which it owns in partnership with Air Canada and a unit of United Airlines.

A condition of Canadian's entire deal with American is that Canadian sever its ties with Gemini and take its business to AMR's Sabre system. AMR wants to use Canadian as a guinea pig and a showpiece for its business of providing management services to airlines, other transport companies and hotels.

Canadian contends that the dissolution of Gemini would deprive competition in the airline industry. But Air Canada is fighting its rival's effort to withdraw from Gemini, arguing that Canadian is legally bound to remain in Gemini until 1999, and that its withdrawal would undermine the network's viability.

The competition tribunal, which has considered the Gemini issue once before, is expected to come to a quick decision. What that decision will be is largely a matter of conjecture. One way or the other, however, it will provide a pointer to the outcome of what has become one of Canada's most messy corporate battles.

Bikuben returns to black as loss provisions double

By Hilary Barnes in Copenhagen

BIKUBEN, Denmark's third-largest bank, reported a first-half pre-tax profit of DKr207m (\$30m) compared with a loss of DKr442m in the same period last year.

The bank returned to profit despite a doubling of loss provisions to DKr1.68bn from DKr781m, which Mr Borge Munk Ebbesen, the bank's chief executive officer, described as reflecting "the culmination of a series of the economic difficulties which have hit Danish business in

recent years". The bank has become involved in a legal dispute over the interest formula on \$50m in subordinated loan capital subscribed to Bikuben by the Danish dairy group, MD Foods. As a consequence, the bank has decided not to include the loan in the capital base at the half-year, which nevertheless left the bank with a capital adequacy ratio of 10.5 per cent.

The main contribution to the improvement in the bank's performance in the first half was a DKr784m gain from the value adjustment of the securities portfolio.

Ladbroke DIY chain shake-up

By Neil Buckley in London

TEXAS Homecare, Ladbroke's DIY chain, yesterday announced a shake-up at the top. It appointed Mr John Coleman, former managing director of the Dorothy Perkins chain, as chief executive. It also revealed that Mr Ron Trenter, Texas chairman, would move shortly to another position within Ladbroke.

Mr Peter George, vice-chairman, had long been seen as heir apparent to Mr Cyril Stein, Ladbroke's chairman, and analysts said it was unlikely that Mr Trenter was being groomed to succeed him.

By Karen Fossil in Oslo

UNI Storebrand, Norway's largest insurance group, yesterday announced sharply improved first half pre-tax profits to Nkr689m (\$94.8m) from Nkr79m in the same period last year, helped by substantial gains on securities.

The group boosted net operating income to Nkr10.93bn from Nkr10.1bn. The increase was achieved despite a loss in premium income by the life business which saw market share decline by 2.8 percentage points to 31.9 per cent in terms of premiums written during the last year.

Uni said group operating expenses had been cut by 2.67 per cent during the six-month interim to Nkr8.69bn from

UNI STOREBRAND has reached advanced stages of planning a spin-off of Christiania General Insurance, the group's New York-based reinsurance business, into a separate company listed on the New York Stock Exchange, writes Karen Fossil.

Uni said a prospectus for an issue of Christiania General shares was almost complete and that a valuation was

Nkr9.3bn. Although the payroll was reduced by 286 employees to 4,221 during the period, the full effect of cost reductions is not yet apparent due to terms and conditions of voluntary redundancy arrangements, the company explained. Gains on securities hit

almost finished. The company added that limited group resources would in future prevent it from financing the further development of Christiania General.

Earlier this year, Uni had considered either disposing of Christiania General or seeking a strategic partner for the entity, but this had been become difficult during a period of

consolidation of the US reinsurance market.

Credit Suisse First Boston, among others, are advising Uni on the move.

Christiania General has assets of \$300m and is ranked 11 among US reinsurers.

Last year the unit returned a surplus of about \$120m under US accounting principles, compared with a deficit of \$125m in 1991.

quarter and stood at Nkr3.8m at end-June. However, by the end of last month unrealised gains had increased further to Nkr3.51bn.

Uni pledged to place particular emphasis on quality assurance in future as part of measures to regain market

confidence in the group following its release on July 13 from public administration.

Uni collapsed last August under the weight of Nkr3.8m debt taken on to buy the Skandia shares in a failed attempt to gain control of the company. The group's shares were relisted on the Oslo bourse in mid-June and Nkr4.2bn was raised through share and bond issues in a major recapitalisation of the group.

Uni said it made cash settlements to creditors last month whose claims had fallen due and been approved. The settlements involved full payment of principal, together with interest of about 11 per cent per year and reduced Uni's external debt and cash holdings by Nkr4.3bn.

This announcement appears as a matter of record only.

The News Corporation Limited

has acquired from
Hutchison Whampoa Limited and the Li family
a 63.6% holding in

STAR
A Hutchison Company



Goldman Sachs acted as the financial adviser to
Hutchison Whampoa Limited and the Li family.



August 1993

INVESTOR AB

SIX MONTH
INTERIM REPORT 1993

INVESTOR GROUP

Consolidated income after financial items for the Group amounted to SEK 406 million, against year-earlier income of SEK 2,083 m.

Investor's net worth, with Saab-Scania valued at its estimated yield value, decreased during the period to SEK 25,440 m. (December 31, 1992: SEK 32,415 m.), or SEK 140 (178) per share after full conversion. With Saab-Scania valued at its book value, net worth amounted to SEK 30,389 (30,122) m., or SEK 167 (166) per share.

STRATEGIC PORTFOLIO

The value of Investor's portfolio of strategic holdings on June 30 amounted to SEK 21,606 (23,238) m. Adjusted for net changes, the value of the portfolio rose during the period by 6%. The Affärsvärlden General Index increased 19%. On August 18, the market value of the portfolio was SEK 26,170 m.

The entire holdings in ASEA and Garphyrtan were sold. After June 30, shares in STORA were sold as well.

On June 30 the largest holdings were in Astra, which accounted for 41% of the value of the portfolio, STORA 17%, Incentive 15% and SKF 8%. The six largest holdings together represented 96% of the portfolio.

SAAB-SCANIA HOLDINGS

Consolidated sales of the Saab-Scania Holdings Group amounted to SEK 13,000 (13,700) m. Order bookings amounted to SEK 12,300 (23,300) m. The order backlog at the end of the period was SEK 30,200 (30,100) m.

The income after financial items of the business areas amounted to SEK 581 (1,172) m. Demand for Saab-Scania's principal products is expected to remain weak, because of which it is anticipated that Saab-Scania's business areas will report significantly lower income for 1993 than in the preceding year.

This is a summary of Investor's six month interim report 1993. The complete report can be obtained from Investor AB, S-103 32 Stockholm, Sweden, telephone +46-8-614 20 00.

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INTERNATIONAL COMPANIES AND CAPITAL MARKETS

China to impose freeze on corporate bond issuance

By Tony Walker in Beijing

CHINA will place a freeze on enterprises issuing bonds in the latter part of this year in an effort to curb a bond-issuing spree that has raised concerns about the circulation of billions of yuan of worthless paper.

The English-language Business Weekly reported at the weekend that the People's Bank of China, China's central bank, and the State Planning Commission, were scrutinising all applications for new bond issues.

The paper quoted Mr Lu Pansheng, a central bank official, as saying that bond issues that have not already been approved will be stopped.

Companies seeking working capital through bond issues will be asked to apply for bank loans, the official said.

Some ¥20bn (\$3.45bn) of corporate bond issues had been planned for this year, but worries about the ability of

enterprises to service their commitments, and concerns about bonds draining money from the banking system, have prompted the latest measures.

Steps to curb unrestrained bond issues by enterprises seeking funds to expand their activities are part of a wide-spread crackdown by the Chinese authorities on a financial sector that had mushroomed out of control.

China's efforts to cool its overheating economy include a squeeze on credit, a demand that banks recall billions of yuan in loans for speculative ventures such as property, and a strengthening of control over the countries fledgling capital markets.

Mr Zhu Rongji, China's senior vice-premier in charge of the economy, was appointed last month to head the central bank. He wasted little time in installing a new team of deputy governors to assist him in unravelling China's financial morass.

Regulations issued earlier this month were also aimed at clamping down on the bond issuing binge. These included the requirement that enterprises not be permitted to issue bonds unless they had been profitable for the last three years.

Proceeds from the issuing of corporate bonds could not be spent on real estate speculation, securities, futures trading, or other risky investments that are not related to the enterprise's central business.

Companies which float bonds without approval or provide an interest rate higher than the one set by the central bank will be severely punished, the report said.

No mention was made of China's capital raising abroad. China has embarked on a fairly ambitious programme of international bond issues. These are almost certain to be coming under careful central bank scrutiny.

Playmates hit by fall in Ninja Turtle sales

By Simon Davies in Hong Kong

PLAYMATES, the Hong Kong toy manufacturer which produces the Teenage Mutant Ninja Turtles, yesterday announced a further decline in earnings. First-half 1993 net profits fell 16.5 per cent, to HK\$146.6m (US\$18.9m).

The interim dividend is being cut from 7 cents a share to 6 cents.

At the peak of Turtle sales in 1991, the company posted six-month profits of HK\$409m. However, the product's popularity has waned and the company has failed to find an alternative source of income.

Turnover fell to HK\$800.6m from HK\$845.5m in 1992, despite the success of the group's Star Trek product line.

In addition, associate contributions swung to a HK\$12.6m loss, due to a negative contribution from the 37.5 per cent-owned Ideal Loists of France. The French toy group is expected to turn in a profit in the current half-year.

Like many other Hong Kong manufacturers, Playmates has turned to property development in an attempt to make up for dwindling profits from its toy core business.

Director Mr Edmund Ip said the company's "objective is to establish itself as a quality developer concentrating initially on smaller sites in carefully selected locations".

South China Morning Post, the News Corporation subsidiary which publishes Hong Kong's leading English language newspaper, reports a net profit of HK\$49m for the year ended June, down 7 per cent.

The fall was primarily the result of the full utilisation of tax losses during 1992. The figures were also adversely affected by the recent purchase of Wah Kiu Yat Po, a Chinese language newspaper.

The dividend is being held at 30 cents a share.

Dutch toughen bourse reforms

Ronald van de Krol looks at efforts to return trading to Amsterdam

THE popularity of Dutch shares among foreign investors is proving to be a curse as well as a blessing for the Amsterdam stock exchange.

Strong foreign demand for the likes of Royal Dutch, Philips and Heineken means an alarmingly high percentage of trading in Dutch blue chips is now conducted abroad - mainly on London's Stock Exchange Automated Quotation (Seaq) system - rather than in Amsterdam itself.

For years, Amsterdam has tried to ward off London's attractions by undertaking gradual reforms, such as abolishing stamp duty, encouraging direct bloc trading between banks, and automating the flow of orders onto the bourse floor.

However, these measures have had little impact that the Amsterdam stock exchange is now gearing up to push through more radical reforms early next year.

According to Baron Boudewijn van Iersum, the bourse's chairman, the difference between the earlier reforms and those scheduled for next year is that "this time we are going to tackle the very core of the trading system itself".

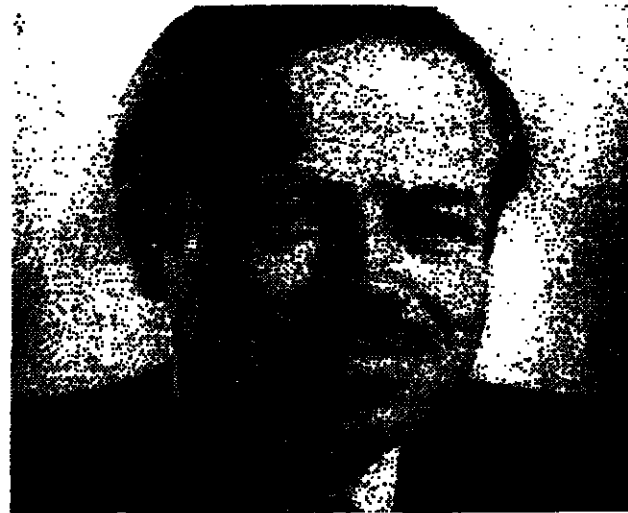
Until now, a central role on the Amsterdam exchange has been reserved for *hoeklieden*, or stock jobbers, who bring together supply and demand by setting prices in the stocks in which they specialise. Often under-capitalised, and frequently criticised for their inability to take large positions, the "hoekmen" are the linchpins of a bourse which traces its history nearly 400 years to the issue of shares by the Dutch East India Company.

Under the proposed reforms, the 33 "hoekmen" firms will go, to be replaced by no more than 10 market "specialist" firms. At the same time, the market will be divided into retail and wholesale segments. In another departure, foreign brokers will be able to take part in the screen-based wholesale market without being present in Amsterdam.

Seven foreign-based houses have already taken out special membership of the exchange to participate in a new inter-professional trading system for Dutch government bonds.

The retail market will remain the domain of the specialists. The wholesale market will be based around Asset (Amsterdam Stock Exchange Trading System) screens, Amsterdam's answer to Seaq. Completing the new look will be Aida, an inter-professional dealing system modeled on Frankfurt's Ibes.

Although it is partially following Seaq's lead, Amsterdam is consciously stopping short of adopting London's reliance on market-making. "We think the



Baron van Iersum: banks, brokers committed to new system

structure we'll have will be stronger than the one London has at the moment, because they lack a retail side and the role of the specialist," Mr van Iersum says.

The retail and wholesale sides of trading on the Dutch bourse will be linked. Specialists will have to quote firm prices, a stipulation designed to lend support and direction to the screen-based wholesale market, he says.

A crucial test of the new consensus in Amsterdam will come in the autumn, when a committee of "wise men" is due to make recommendations on buying out the bourse's hoekmen, some of whom will be transformed into better-capitalised specialists.

Job losses among the 200-strong staff are inevitable. Members will have to approve the plan before the reforms can go ahead.

McKinsey, the consultancy group, published a report on trading in Dutch shares in late

1992. Before then, any talk of doing away with the hoekman was almost taboo. But McKinsey's survey of investors showed that 40 per cent of trading in Dutch shares had leaked abroad, chiefly to London. The situation in Dutch bonds was even bleaker, with just 32 per cent traded at home, though this came as little surprise.

Perhaps the most worrying statistic was that just 33 per cent of "bloc" trades in Dutch shares, worth more than Fl 1m (\$225,000), was conducted in Amsterdam in 1991, against 68 per cent in 1988.

McKinsey also showed that investors, including Dutch ones, were unhappy with Dutch banks and brokerages, complaining of uncompetitive rates and an aversion to taking risks in the market.

This accounted for the trend towards seeking the services of foreign brokers, who in turn were more likely to use Seaq than Amsterdam.

Mr van Iersum said Dutch banks and brokers had now committed themselves to playing an active part in the new system. They will in any case, "need to stick their necks out" more if they want to continue to create a primary market for the larger, internationally-orientated Dutch companies and to serve the Netherlands' powerful institutional investors, he said.

He noted that of all Europe's bourses, Amsterdam was the most exposed to competition from London. With a small home market and a preponderance of international companies, it relies on foreign buying of shares and, particularly, of bonds.

Because of its greater vulnerability, it is also "the first bourse on the continent that is ready to put a strategy vis-a-vis London into practice", he said.

Australian coal producer's profits up 23%

By Bruce Jacques in Sydney

COAL and Allied Industries, the Australian coal producer, has increased net profits for the year to June by 23 per cent to A\$69.7m (US\$40.4m).

The result was achieved on a 7 per cent improvement in revenue to A\$657.4m. The company is stepping up its dividend from 60 cents to 70 cents a share.

Coal production rose marginally from 11m to 11.1m tonnes, but sales rose strongly from 11.1m to 11.9m tonnes.

Reviews of the underground operations led to significant reductions in employee numbers during the year. The board is making a provision of A\$35.1m before tax for diminution in the value of the assets. That provision led to a net A\$28.4m abnormal loss but this was offset by a A\$7.5m tax credit. Depreciation took A\$51.5m, against A\$44.4m.

Vartiy surprises with \$14m net for quarter

By Karen Zagor in New York

SHARES in Vartiy, the US automotive, farm and industrial equipment maker, reached a 52-week high yesterday after the company posted better-than-expected second-quarter earnings.

In the latest quarter, it took a one-time charge of \$1.7m, or 5 cents a share, which left net income at \$14.4m, or 29 cents. In the same period of 1992, Vartiy had net income of \$14.1m, or 37 cents. Sales in the three months dropped to \$680.9m from \$691.4m, reflecting the disposal of several businesses.

Stripping out one-time charges, taxes and earnings of associated companies, Vartiy earned \$15.4m in the 1993 quarter against \$17.6m a year earlier. The shares rose 3% to \$36 1/2 at mid-session.

Mr Victor Rice, chairman and chief executive, said the company had cut its interest

expense by 73 per cent in the second quarter, reflecting the restructuring and financing actions. The company's consolidated debt is \$1bn lower than last year.

Kelsey-Hayes, the automotive components business, had operating income of \$18m on sales of \$256m. On a pro forma basis, earnings were \$13m on sales of \$228m in the 1992 period. The company attributed the rise to higher margins due to improved operating efficiencies.

Massey Ferguson, the farm equipment unit, had operating income of \$4m on sales of \$239m. On a pro forma basis, it earned \$4m on sales of \$233m last year. Although Massey's main European market has been weak this year, it expects the business to remain profitable in 1993.

The UK-based Perkin's engines business turned in flat earnings of \$11m.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue

August 1993

6,960,000 Shares

Triangle Pacific Corp.

Common Stock

1,392,000 Shares

The above shares were offered outside the United States and Canada by the undersigned.

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INTERNATIONAL CAPITAL MARKETS

Europe stands back ahead of German rate decision

By Peter John in London and Patrick Harverson in New York

EUROPEAN government bond markets were yesterday caught in the thrall of the German rate cut debate and held fast ahead of the first signals due today.

GOVERNMENT BONDS

Many economists expect a quarter-point reduction in the all-important German discount rate to 6.25 per cent, which could allow France to lower its 6.75 per cent intervention rate. It would also give other EC members, particularly Belgium, a chance to ease further. However, high money supply figures last week cast a shadow over the leeway that the members of the Bundesbank Council will have when they return from their summer break for Thursday's meeting.

Analysts are waiting keenly to see whether Germany's reputation on Wednesday will be fixed at 6.8 per cent or variable. If the latter, the repo could rise slightly, increasing the gap with the discount rate. The first regional inflation figure is also expected today and could provide an opportunity for easing if it points to a national figure of less than 3

per cent on a three-month annualised basis. German government bond futures on Liffe rose 9 basis points to 97.07.

FRENCH debt prices marked time despite the suspension of the emergency 24-hour lending facility set up to counter the wave of franc selling that led to the broadening of the ERM bands at the beginning of the month.

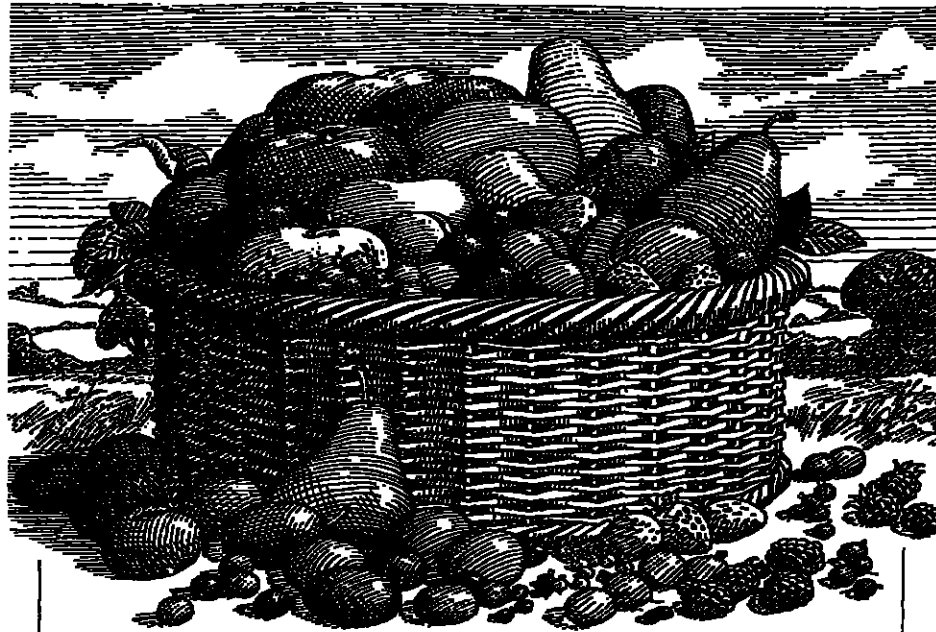
The standard five-day to 10-day lending rate remained at a punishingly high 10 per cent but is expected to fall to the final 24-hour level of 7.75 per cent shortly. French 10-year futures closed two basis points firmer at 122.12. However, the balance of strength was on the shorter end of the yield curve which is more sensitive to interest rate cuts.

IN the UK, gilts were firm at the long end, but the sustained rally of recent weeks appeared to lose some impetus. With no significant domestic data or political factors to concentrate on, dealers waited to see what would happen in Germany. Long gilt futures were up $\frac{1}{4}$ at 112 $\frac{1}{2}$ by the close but the support was not there and turnover was just over a paltry 14,500 contracts.

HIGH-yielding markets were enlivened by a rate cut and

FT FIXED INTEREST INDICES

	Aug 23	Aug 20	Aug 19	Aug 18	Aug 17	Year ago	High *	Low *
Govt Secs (10Q)	101.86	101.77	102.07	102.38	102.31	67.00	102.38	93.28
Fixed Interest	123.93	124.27	124.51	124.54	124.23	104.51	124.54	108.67
Basis 100: Government Securities 151(0/35); Fixed Interest 162(8).								
* For 1983, Government Securities high since compilation: 127.40 (8/1/75), low 48.18 (3/1/73)								
For fixed interest high since compilation, 124.54 (11/8/73), low 95.53 (5/1/75)								



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COMPANY NEWS: UK

Hodgson confirms thirst for Hoskins

By Philip Rawstone

MR HOWARD Hodgson, one of the more flamboyant entrepreneurs of the 1980s, yesterday returned to the London stock market as the biggest shareholder and chief executive of Hoskins Brewery, the Leicester-based real ale brewer.

The move, which ends almost a year of friction between the brewer's board and disgruntled shareholders, added 20p to the company's shares when dealing resumed on the USM after a three-month suspension. The shares closed at 76p.

Mr Hodgson said yesterday: "I believe Hoskins represents an excellent opportunity for us to expand the business into a substantial public company with growing profits and earnings."

He heads a new but experienced management team with Mr James Roe, a former director of NM Rothschild, who becomes non-executive chairman; Mr Shaun Dowling, chairman of Hartstone Group and a former director of Guinness; and Mr Bill Caldwell, who retired last year after 22 years as a partner in Price Waterhouse, are appointed non-executive directors.

Coopers & Lybrand have been appointed as the company's financial adviser, and Peel Hunt as its stockbroker.

Mr Hodgson has paid

£303,500, or 55p a share, to acquire a 9.6 per cent stake in Hoskins from the Hoar brothers who have been running the company. Other members of his team have bought a further 3.4 per cent.

Mr Barrie Hoar, the former chairman, and Mr Robert Hoar, a director, together with their families, have also disposed of another 9.5 per cent holding which has been placed with institutions.

The Hoars, who have twice faced shareholder moves to remove them in the past year, received about £715,000 from the deals which value the company at £3.14m. The family retains a 7 per cent interest. Mr Barrie Hoar will remain a non-executive director for the time being but his brother has resigned from the board.

A group of dissident shareholders which had been challenging the Hoar brothers' management of the company yesterday formally withdrew their requisition for an extraordinary meeting.

Mr Hodgson approached the Hoars a week ago after the collapse of Hoskins' negotiations with Switland Estates, a private company run by Mr Adam Page, former chairman of Midsummer Leisure. Switland was proposing to reverse some of its theme bar businesses into Hoskins - which owns four pubs as well as a brewery - in exchange for 41 per cent of

the equity.

"James Roe and I spent several months putting our team together and searching for the right opportunity," Mr Hodgson said.

The new team aims to increase distribution of Hoskins' beers, building present production from 1,300 barrels a year to 5,000, but has no ambitions to become a large-scale pub retailer.

"In view of the narrow base of its business operations, the company's best long-term interests may well be served by developing the business into complementary areas," Mr Hodgson said.

The company plans to embark on a series of acquisitions though Mr Hodgson said no targets had yet been identified.

"Our intention is to look for mature businesses, not start-ups or turnarounds, that are cash generative and in expanding markets. Our small head office - to which we have yet to recruit a finance director - would act as a portfolio manager, overseeing a number of profit centres rather than getting involved in the day-to-day running of the businesses."

Mr Hodgson used similar acquisitive tactics to build his family firm of funeral directors, which he bought for £14,000, into PHKL, the UK's largest quoted funeral services company with a capitalisation



Going down well: Howard Hodgson's move saw Hoskins' shares rise 20p from their suspension price

at one time of £100m.

In the process, he transformed the public image of the undertaker by introducing stretched Volvo limousines in midnight blue and dressing his staff in Portland grey livery. He was named USM Entrepreneur of the Year in 1987 but resigned as chairman of the company in 1991, selling his shares for an estimated £8.5m.

Last year, he published a book about his experiences, entitled *How To Become Dead Rich*.

Cost cutting behind recovery at Aerospace Engineering

AEROSPACE Engineering turned round from a pre-tax loss of £2.16m to profit of £214,000 in the year to April 30, adjusting for the FR3 3 accounting changes.

The final dividend is held at 0.5p. Following the cut at the interim stage, however, that gives a total of 0.75p, against 1p. Earnings per share were 0.75p (losses 3.76p).

Mr John Davis, chairman and chief executive, said the recovery was achieved after absorbing £122,000 (£1.12m) costs relating to disposal of businesses, £51,000 (£742,000) restructuring costs, and

against difficult trading conditions in most of the UK markets.

The aerospace sector, in particular, suffered from weak demand exacerbated by severe competition in an over-supplied market, he pointed out.

Much of the improvement was the result of the programme to reduce costs and gearing and improve efficiency, and also to the divestment of businesses. Group activities were now focused on electronics and aerospace.

Mr Davis said while UK demand for circuit boards remained patchy, overseas

sales were rising steadily. Conditions in the international aerospace markets were still depressed.

The sale of Forward Industries in June had a significant impact on the balance sheet, reducing debt by £2.61m. At the close of the year total debt was £5.33m (£9.21m), supported by shareholders' funds of £11.8m, reducing gearing from 79 per cent to 49 per cent.

Capital expenditure of £750,000 has been authorised for equipping a new microwave circuit board facility and £500,000 in a new "clean room" status printed circuit board.

Copymore advances to £758,000 midway

COPYMORE, the USM-quoted office equipment company, lifted pre-tax profit from £506,000 to £758,000 for the six months to June 30.

In part to compensate shareholders for the omission of a final dividend last year, the interim is increased from 1p to 2.5p, payable from earnings of 4.5p (5p) per share.

Mr Stephen Matthews, chairman, said turnover rose 15 per cent to £17.2m (£14.9m).

The result reflected the efforts of the sales team and determination to control and centralise fixed costs, as well as integrating new acquisitions, particularly National Technical Services.

As yet there was no real sign of recovery in the office automation market, but he was confident of a satisfactory outcome for the year.

Combined full year service revenues from the acquired Solutions II group and Concorde Copiers were expected to be £1.45m. Gearing had been cut from 134 per cent to 111 per cent. Interest cover improved to 6.8 times.

Mr Matthews is leaving the board at the end of the month to concentrate on other interests.

The Wharf (Holdings) Limited

(Incorporated in Hong Kong with limited liability)



INTERIM RESULTS ANNOUNCEMENT FOR THE HALF-YEAR PERIOD ENDED 30TH JUNE 1993

- The unaudited Group profit attributable to Shareholders for the six months ended 30th June, 1993 amounted to HK\$1,381.0 million, representing an improvement of 44% over that achieved in the corresponding period for last year. Earnings per share were 65.2 cents.
- The Board has declared an interim dividend of 19.0 cents per share in respect of the financial year ending 31st December, 1993, representing an increase of 15% over that paid for the previous corresponding period.
- NAV at HK\$25.63 per share showed an increase of 20% from December 1992.
- In Hong Kong, Wharf has over seven million square feet of investment property and is developing a further nine million square feet over the next four years, of which two million square feet are in Singapore.
- Phase II of the redevelopment of 2.5 million square feet of Harbour City, planned to begin in third quarter of 1994, is the redevelopment of three remaining residential blocks into three 33-storey office towers with retail podiums. The redevelopment schedule will be responsive to prevailing market conditions. Phase I, The Gateway, is on schedule with the occupation permit expected in mid-1994.
- Times Square, Parc Oasis, Lane Crawford Place, Wharf Cable Tower have received strong response.
- Wharf's new franchise projects, Cable TV and the Western Harbour Crossing, are secured and moving full steam ahead, delivering to Hong Kong all that the Group has promised. Wharf Cable will launch Hong Kong's first multi-channel subscription television service on 31st October, just five months after the licence was awarded.
- The Group remains enthusiastic of its long-term and deliberate five-point regional strategy in China despite economic uncertainties. It is not unexpected for an emerging economy such as China's to develop in stages, and Wharf's step-by-step approach to selective property and infrastructure investment in China was planned from the onset to endure such times.
- The Group continued to expand its hotel network in North America and gateway cities of Asia Pacific through a combination of direct acquisitions and management contracts.
- Wharf is well funded with successful capital raising of almost HK\$10 billion of long term money. Low net debt to total asset ratio at 10%.

SUMMARY OF UNAUDITED CONSOLIDATED RESULTS

Six months ended 30th June:	1993 HK\$ Million	1992 HK\$ Million
Turnover	2,533.9	1,965.1
Operating profit	1,364.4	919.2
Share of profits less losses of associated companies	174.6	185.2
Profit before taxation	1,539.0	1,104.4
Taxation	(137.3)	(115.4)
Profit after taxation	1,401.7	989.0
Minority interests	(20.7)	(31.5)
Group profit attributable to Shareholders	1,381.0	957.5
Interim dividend	(411.1)	(346.3)
Transferred to revenue reserve	969.9	611.2
Earnings per share	65.2 cents	45.6 cents
Interim dividend per share	19.0 cents	16.5 cents

U.S. \$250,000,000



BANK OF BOSTON CORPORATION

Subordinated

Floating Rate Notes Due 2001

Issued 10th February 1993

Interest Rate	5% per annum
Interest Period	24th August 1993
	24th November 1993
Interest Amount per U.S. \$50,000 Note due 24th November 1993	U.S. \$638.89

Credit Suisse First Boston Limited
Agent

Notice to Bondholders

U.S. \$75,000,000

Fletcher Challenge Financial Services Netherlands B.V.

8 per cent Subordinated Guaranteed Convertible Bonds due 1998

NOTICE IS HEREBY GIVEN that in accordance with the Conditions of the Bonds, as set out in Redemption and Purchase Clause (d), the holder of any Bond (a "Bondholder") may exercise such Bondholder's Option to require the issuer to redeem such Bond(s) at par on 22nd November, 1993.

To exercise such option a Bondholder must deposit the relevant Bond(s) during the period commencing on 23rd September, 1993 and ending on 22nd October, 1993 at any of the undermentioned offices of the Paying and Conversion Agents together with all Coupons maturing after 22nd November, 1993 attached and accompanied by a written notice (an "Option Notice") exercising the option, in the form obtainable from any Paying and Conversion Agent.

Principal Paying and Conversion Agent

Bankers Trust Company
1, Appold Street,
Bancgate,
London EC2A 2HE

Paying and Conversion Agents

Bankers Trust Luxembourg S.A.
14 Boulevard F.D. Roosevelt
L-2450 Luxembourg

Credit Suisse
8 Paradeplatz
8001 Zurich

An Option Notice, once given shall be irrevocable.

Bankers Trust

Company, London

24th August, 1993

Agent Bank

COMMERZBANK OVERSEAS FINANCE N.V.

7.05% Yen 1,300,000,000 Bonds of 1989/1993
7 % Yen 1,000,000,000 Bonds of 1989/1993

Redemption as per September 1, 1993

According to § 6 of the Terms and Conditions of the Bonds all Bonds will be redeemed on September 1, 1993. The redemption price is Yen 76,640,989 per nominal Yen 100,000,000 Bond (7.05% Bonds) and Yen 78,188,182 per nominal Yen 100,000,000 Bond (7% Bonds).

The Bonds will be paid at

Commerzbank Aktiengesellschaft, Frankfurt/Main

(Principal Paying Agent)

Commerzbank Aktiengesellschaft, London

The Bonds shall cease to bear interest as per August 31, 1993. The coupon as per September 1, 1993 will be paid separately.

Curaçao, August 1993 Commerzbank Overseas Finance N.V.

U.S. \$400,000,000

Commonwealth Bank Australia

Commonwealth Bank of Australia

A.G.N. 123 123 124

incorporated in Australia with limited liability

Undated Floating Rate Notes

exchangeable into

Dated Floating Rate Notes

Interest Rate 3.4975% per annum
(LIBOR 3.4375% + 0.06%)

Interest Period 24th August 1993
24th February 1994

Interest Amount due 24th February 1994
per U.S. \$ 10,000 Note U.S. \$ 178.76
per U.S. \$250,000 Note U.S. \$4,468.03

Credit Suisse First Boston Limited
Agent

MERCURY SELECTED TRUST (SICAV)

14, rue Léon Thysses, L-2636 Luxembourg, R.C. Luxembourg No.B. 6317

PAYMENT OF DIVIDEND

Notice is hereby given to shareholders that an interim dividend for the year ended 31st December, 1993 of US\$ 0.20 for the Yen International Equity Fund, US\$ 0.30 for the Yen Global Bond Fund and US\$ 0.20 for the Yen Global Equity Fund has been declared by the Board.

These dividends will be paid on 27th August, 1993 to registered shareholders of the respective Funds who were on the register at 12th August, 1993.

These dividends will be paid from 27th August, 1993 to bearer shareholders of the respective Funds against presentation of coupon No. 13 for the Yen International Equity Fund, coupon No. 15 for the Yen Global Bond Fund and coupon No. 12 for the Yen Global Equity Fund at any of the company's paying agents including its paying agent in the United Kingdom:

S.G. WARBURG & CO. LTD.

Paying Agency, 2 Finsbury Avenue, London EC2M 2PA

from whom claim forms can be obtained. United Kingdom tax will be deducted from claims in the United Kingdom at the rate of 25 per cent, unless claims are accompanied by an affidavit.

Interim dividends will not be paid on the remaining Funds.

24th August, 1993

MERCURY SELECTED TRUST (SICAV)

U.S. \$150,000,000

First Bank System, Inc.

Floating Rate Subordinated

Capital Notes Due 1996

Interest Rate 5 1/2% per annum

Interest Period 24th August 1993
24th November 1993

Interest Amount per U.S. \$50,000 Note due 24th November 1993 U.S. \$670.83

Credit Suisse First Boston Limited
Agent

Aug	39,050	41,050	41,050	39,050
Feb	47,675	48,500	48,150	47,300
Mar	47,375	48,500	47,800	47,000
May	47,800	48,500	48,050	47,800
Jul	50,000	52,000	52,000	50,000
Aug	47,000	47,000	47,000	47,000

FT Business Enterprises Ltd., Registered Office, Number One Southwark Bridge, London SE1 9HL. Registered No 980996

INVESTMENT TRUSTS - Cont.

هكذا من الاصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	
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AUTHORISED UNIT TRUSTS

AIS Unit Trust Managers Limited (10/00)

[illegible][illegible][illegible]

European Funds	94	117.7	117.3	124.3
European Div	94	121.3	120.8	127.4
European Acc	94	121.3	120.8	127.4
Emerg	94	121.3	120.8	127.4

Compassionate Mutual Rate

Midwest Season Unit Trusts (1400)F
100% Invested in Seasonal Stocks
Income: 871-758-7534

Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
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Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
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Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
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Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
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Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
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Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
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Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50.40	49.00
Ernst Div	21.6	55.46	50.40	49.00
Ernst Bond	21.6	55.46	50.40	49.00
Ernst Income	21.6	55.46	50	

TIME: The time shown alongside the company's name is the time of the unit sale. The valuation period (unless another time is indicated) is the month immediately preceding the sale. The symbols are as follows: (V) = 1100 hours; (M) = 1101 to 1400 hours; (A) = 1401 to 1700 hours; (E) = 1701 to 1900 hours. *Daily opening prices are set on the basis of valuation point; a short period of these new values before prices become available.*

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from all Enagates.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

56 Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 126 West Oxford Street, London W61A 1JH 071-329-0444.

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Cash	100.00	100.00
Accounts Payable	100.00	100.00
Accounts Receivable	100.00	100.00
Inventory	100.00	100.00
Prepaid Expenses	100.00	100.00
Long-Term Debt	100.00	100.00
Equity	100.00	100.00
Total	100.00	100.00

00	29522
-0.02	5.8
-0.16	7.8
-0.09	3.0
-0.27	3.5
-0.37	5.4
-0.31	2.8
-0.42	2.5
-0.08	4.1

00	29577
-0.1	1.44
-0.1	1.01
-0.2	2.2
-0.2	3.41
-0.2	1.56
-0.2	1.56
-0.8	1.56
-0.1	3.55
-1.1	1.5
-1.1	1.5

Compiled with the assistance of Lautro §

INITIAL CHARGE: Charge made on sale of unit. Used to defray marketing and administrative costs. Including cancellation paid to the issuer. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are initially sold.

SALE PRICE: Also called redemption price. The price at which units are sold back to investors.

CANCELLATION POLICY: The minimum redemption period. The minimum amount between the time units are sold and the time they can be redeemed. Some funds have a 90-day minimum, but others have a 30-day minimum option. As a result, the bid price is not used to show the cancellation policy. However, the bid price is the amount you would receive for the managers at any time, usually in cash. The difference between the bid price and the offer price is a large source of income to other buyers.

TIME: The time spans aggregate the fund manager's return to the fund. The time spans without penalty periods are shown in red. The time spans with penalty periods are indicated by the number of years in parentheses.

The symbols are as follows: (Y) - 0001 to 11:00 hours; (H) - 1101 to 14:00 hours; (M) - 1401 to 17:00 hours; (A) - 1701 to 24:00 hours.

Early trading prices are not on the basis of the fund's performance at a certain time, but may show how prices become available.

HISTORIC PRICING: The basis of comparison for the amount of money paid for the price on the most recent trading day. The price is the basis of the fund's performance and may not be the current trading price. The price is the basis of the fund's calculation of a return to a forward trading day. The managers must deal of a forward trading day, and may not be the current trading price at any time.

FORWARD PRICING: The basis of forward trading day. The price is the basis of the fund's performance, but the price is not the current trading price. The price is the basis of the fund's calculation of a return to a forward trading day. The managers must deal of a forward trading day, and may not be the current trading price at any time.

SCHEME PARTICULARS AND REPORTS: The most recent report of the fund's performance and the most recent price of the fund's shares.

Other voluntary notes are contained in the last column of the table.

FI Managed Funds Service.

MSI Insurance and Trusts Inc.

1400 York Street, London, Ontario, N6A 1A1.

1-800-387-2444.

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen gains further ground

THE yen continued to gain ground against the dollar in Monday's Asian and European trading, despite the US Federal Reserve's intervention in support of its currency last week, writes *James Bliz*.

Last Friday, the yen was already clawing back some of the lost ground against the dollar, closing in London at ¥104.9. When Tokyo opened on Monday, the Japanese currency moved even higher, despite comments from officials that an economic expansion plan would be launched in September and that Mr. Morihiro Hosokawa, the prime minister, would visit the US in late September.

Dealers said that the upward pressure on the yen continued to come from exporters who sold dollars at comparatively high levels in the belief that they might get less yen for them if they waited.

However, once the yen reached the ¥103.50 level, the Bank of Japan intervened to support the currency and fears that the US would echo the move stopped the weakening in the dollar/yen rate. There was no intervention when US markets opened, and the yen moved back to ¥103.25. It is still uncertain whether the dollar will breach the ¥100 level as so many dealers anticipated at the start of last week.

In Europe, the main focus was on cuts in French and Danish interest rates, in the latter case the first since the exchange rate mechanism's bands were widened.

The 50 basis points cut in the French overnight rate, to 7.75 per cent, did not lead to a heavy depreciation of the franc, which closed at FF348.5 from FF347.9. The Danish cut had little effect on the Danish krone which closed at DK4.1043 to the D-Mark.

In both cases, the currencies held steady because of a strong belief in the market that the Bundesbank will ease its discount rate at its first meeting after the summer recess on Thursday. The market is far less certain that there will be a rate cut in the Bundesbank's repo rate, however. Today's inflation figure for the state of Baden-Württemberg will be an

early indication of how much room for manoeuvre the central bank has.

Miss Wendy Niffke, international economist at IBI International, believes that a discount rate cut has been well priced in by the market. If the German central bank eases its rate floor by ½ a percentage point on Thursday, it is unlikely to lead to a fall in the D-Mark's value.

The weaker currencies in Europe were less well underpinned yesterday because of speculation that their countries might try to cut interest rates in advance of the Bundesbank meeting.

The peseta dropped in value yesterday morning, bottoming out at Ptas105 to the D-Mark from a previous Ptas98.8. It later closed at Ptas100.9. The escudo also eased yesterday to Esc105 to the D-Mark from a previous Esc101.40. 6 Sterling was largely unaffected, closing unchanged at DM2.5375.

EMS EURO CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Dividend
Dutch Guilder	1.0000	1.0000	-1.42	7.74	-
French Franc	1.0000	1.0000	-1.42	7.74	-
Italian Lira	1.0000	1.0000	-1.42	7.74	-
Spanish Peseta	1.0000	1.0000	-1.42	7.74	-
Portuguese Escudo	1.0000	1.0000	-1.42	7.74	-
Irish Punt	1.0000	1.0000	-1.42	7.74	-
Belgian Franc	1.0000	1.0000	-1.42	7.74	-
Swiss Franc	1.0000	1.0000	-1.42	7.74	-
Austrian Schilling	1.0000	1.0000	-1.42	7.74	-
German Mark	1.0000	1.0000	-1.42	7.74	-

See central rates set by the European Commission. Conversions are in descending order of strength. Percentage changes are for the 24-hour period. The percentage change in the dollar/yen rate is shown in the last column. The percentage change in the dollar/yen rate is shown in the last column.

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Aug 23	Aug 24	Aug 25	Aug 26
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

CURRENCY RATES

Aug 23	Aug 24	Aug 25	Aug 26
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

CURRENCY MOVEMENTS

Aug 23	Aug 24	Aug 25	Aug 26
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
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100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

OTHER CURRENCIES

Aug 23	Aug 24	Aug 25	Aug 26
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

MONEY MARKETS

French and Danes cut

BOTH France and Denmark cut their short term interest rates yesterday, giving a small lift to European markets ahead of this week's Bundesbank council meeting, writes *James Bliz*.

The Bank of France's 50 basis point cut in its overnight rate of lending was the fifth successive easing since the August crisis in the exchange rate mechanism, and took the rate to 7.75 per cent.

Denmark cut its 14 day CD rate from 11 per cent to 10.5 per cent, its first easing of policy since the widening of currency bands.

The market viewed this as a technical move rather than a signal on policy, with one dealer suggesting that the French money market had been amply supplied with funds.

However, another dealer wondered whether this might be a precursor to a reintroduction of the 5-10 day lending window which had been at 7.75 per cent before being raised to 10 per cent in

the run-up to the ERM crisis.

In any event, the cut in the overnight rate was well priced in by the futures market, and the September Fibo contract dropped 9 basis points to close at 93.19. The December contract dropped 6 basis points to close at 94.27.

In Germany, Euromark contracts were a little more buoyant in the run up to this week's Bundesbank council meeting. The September contract rose 3 basis points to close at 93.55 and the December contract was up 3 basis points to close at 94.02.

The rise in these contracts was partly due to speculation that the Bundesbank would ease the discount rate on Thursday. However, few dealers believe an easing in the repo rate is likely in its wake. Call money remained at 6.50 per cent yesterday, modestly above the repo rate level.

Short term interest rates in the sterling cash market were fractionally easier, helped by the firm despatch of a large £1.85bn daily shortage and anticipation of policy easing in Germany.

Three month money closed at 5½ per cent yesterday, a re-introduction of the 5-10 day lending window which had been at 7.75 per cent before being raised to 10 per cent in

FT LONDON INTERBANK FIXING

11.00 a.m. Aug 23	3 months US Dollars	6 months US Dollars
bid 3½	offer 3½	offer 3½

The fixing rates are the arithmetic mean rounded to the nearest one-tenth, of the bid and offer rates for \$10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Paribas and Morgan Guaranty Trust.

MONEY RATES

Aug 23	Aug 24	Aug 25	Aug 26
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
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100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

LONDON MONEY RATES

Aug 23	Aug 24	Aug 25	Aug 26
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
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100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

EXCHANGE CROSS RATES

Aug 23	Aug 24	Aug 25	Aug 26
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

Yen per 1,000; French Fr. per 100; Lira per 1,000; Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

Aug 23	Aug 24	Aug 25	Aug 26
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
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WORLD STOCK MARKETS

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CANADA

Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change
TORONTO																	
4 pm Close August 23																	
Quotations in cents unless marked \$																	
3423	Albair Pl	\$15 1/2	15 1/2	15 3/4	+1/4	86254	Echo Bay	\$7 1/2	7 1/2	7 1/2	0	4525	Mt Hope B	\$19 1/2	19 1/2	19 1/2	0
4032	Air Can	46 1/2	46 1/2	46 1/2	0	86255	Imperial Ltd	\$3 1/2	3 1/2	3 1/2	0	4526	Northview	\$2 1/2	2 1/2	2 1/2	0
7918	Bk of Mon	45 1/2	45 1/2	45 1/2	0	86256	Imperial Ltd	\$3 1/2	3 1/2	3 1/2	0	4527	Northview	\$2 1/2	2 1/2	2 1/2	0
4220	Bk of Ont	45 1/2	45 1/2	45 1/2	0	86257	Imperial Ltd	\$3 1/2	3 1/2	3 1/2	0	4528	Northview	\$2 1/2	2 1/2	2 1/2	0
2000	Auriferous	\$7 1/2	7 1/2	7 1/2	0	15559	Farm Serv	\$3 1/2	3 1/2	3 1/2	0	4529	Northview	\$2 1/2	2 1/2	2 1/2	0
14436	Alcan Inc	\$27 1/2	27 1/2	27 1/2	0	4000	FT Ltd	\$7 1/2	7 1/2	7 1/2	0	4530	Northview	\$2 1/2	2 1/2	2 1/2	0
34701	Alcan Inc	\$27 1/2	27 1/2	27 1/2	0	4001	FT Ltd	\$7 1/2	7 1/2	7 1/2	0	4531	Northview	\$2 1/2	2 1/2	2 1/2	0
14500	Alcan Inc	\$27 1/2	27 1/2	27 1/2	0	4002	FT Ltd	\$7 1/2	7 1/2	7 1/2	0	4532	Northview	\$2 1/2	2 1/2	2 1/2	0
32154	Al Baker	\$20 1/2	20 1/2	20 1/2	0	41323	FT Mgmt	\$18	18	18	0	4533	Northview	\$2 1/2	2 1/2	2 1/2	0
11630	Bk of Ont	\$20 1/2	20 1/2	20 1/2	0	41324	FT Mgmt	\$18	18	18	0	4534	Northview	\$2 1/2	2 1/2	2 1/2	0
7918	Bk of Ont	\$20 1/2	20 1/2	20 1/2	0	41325	FT Mgmt	\$18	18	18	0	4535	Northview	\$2 1/2	2 1/2	2 1/2	0
34701	Bk of Ont	\$20 1/2	20 1/2	20 1/2	0	41326	FT Mgmt	\$18	18	18	0	4536	Northview	\$2 1/2	2 1/2	2 1/2	0
149148	Bk of Ont	\$20 1/2	20 1/2	20 1/2	0	41327	FT Mgmt	\$18	18	18	0	4537	Northview	\$2 1/2	2 1/2	2 1/2	0
34701	Bk of Ont	\$20 1/2	20 1/2	20 1/2	0	41328	FT Mgmt	\$18	18	18	0	4538	Northview	\$2 1/2	2 1/2	2 1/2	0
3878	Bk of Ont	\$1 1/2	1 1/2	1 1/2	0	41329	FT Mgmt	\$18	18	18	0	4539	Northview	\$2 1/2	2 1/2	2 1/2	0
29658	Bk of Ont	\$1 1/2	1 1/2	1 1/2	0	41330	FT Mgmt	\$18	18	18	0	4540	Northview	\$2 1/2	2 1/2	2 1/2	0
10036	Bank of Montreal	\$1 1/2	1 1/2	1 1/2	0	41331	FT Mgmt	\$18	18	18	0	4541	Northview	\$2 1/2	2 1/2	2 1/2	0
49322	Bank of Montreal	\$1 1/2	1 1/2	1 1/2	0	41332	FT Mgmt	\$18	18	18	0	4542	Northview	\$2 1/2	2 1/2	2 1/2	0
14223	Bank of Montreal	\$1 1/2	1 1/2	1 1/2	0	41333	FT Mgmt	\$18	18	18	0	4543	Northview	\$2 1/2	2 1/2	2 1/2	0
448630	Bank of Montreal	\$1 1/2	1 1/2	1 1/2	0	41334	FT Mgmt	\$18	18	18	0	4544	Northview	\$2 1/2	2 1/2	2 1/2	0
7144	Bank of Montreal	\$1 1/2	1 1/2	1 1/2	0	41335	FT Mgmt	\$18	18	18	0	4545	Northview	\$2 1/2	2 1/2	2 1/2	0
300	Bank of Montreal	\$1 1/2	1 1/2	1 1/2	0	41336	FT Mgmt	\$18	18	18	0	4546	Northview	\$2 1/2	2 1/2	2 1/2	0
97100	CAF Ind	\$15 1/2	15 1/2	15 1/2	0	20770	Norfolk A	\$6	6	6	0	31390	Phn Can	\$13 1/2	13 1/2	13 1/2	0
27176	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50475	Harbor Gas	\$26	26	26	0	19827	Phn Can	\$22 1/2	22 1/2	22 1/2	0
114311	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50476	Harbor Gas	\$26	26	26	0	132530	Phn Can	\$22 1/2	22 1/2	22 1/2	0
22862	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50477	Harbor Gas	\$26	26	26	0	14626	Phn Can	\$22 1/2	22 1/2	22 1/2	0
138989	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50478	Harbor Gas	\$26	26	26	0	32520	Phn Can	\$21 1/2	21 1/2	21 1/2	0
28849	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50479	Harbor Gas	\$26	26	26	0	42956	Phn Can	\$21 1/2	21 1/2	21 1/2	0
86477	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50480	Harbor Gas	\$26	26	26	0	3500	Phn Can	\$21 1/2	21 1/2	21 1/2	0
400	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50481	Harbor Gas	\$26	26	26	0	18400	Phn Can	\$21 1/2	21 1/2	21 1/2	0
28722	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50482	Harbor Gas	\$26	26	26	0	31880	Phn Can	\$21 1/2	21 1/2	21 1/2	0
1800	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50483	Harbor Gas	\$26	26	26	0	22145	Phn Can	\$21 1/2	21 1/2	21 1/2	0
8208	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50484	Harbor Gas	\$26	26	26	0	1700	Phn Can	\$21 1/2	21 1/2	21 1/2	0
28150	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50485	Harbor Gas	\$26	26	26	0	5000	Phn Can	\$21 1/2	21 1/2	21 1/2	0
74600	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50486	Harbor Gas	\$26	26	26	0	36560	Phn Can	\$21 1/2	21 1/2	21 1/2	0
5221	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50487	Harbor Gas	\$26	26	26	0	3400	Phn Can	\$21 1/2	21 1/2	21 1/2	0
5221	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50488	Harbor Gas	\$26	26	26	0	5300	Phn Can	\$21 1/2	21 1/2	21 1/2	0
400	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50489	Harbor Gas	\$26	26	26	0	30	Phn Can	\$21 1/2	21 1/2	21 1/2	0
20016	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50490	Harbor Gas	\$26	26	26	0	2190	Phn Can	\$21 1/2	21 1/2	21 1/2	0
441590	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50491	Harbor Gas	\$26	26	26	0	24724	Phn Can	\$21 1/2	21 1/2	21 1/2	0
22518	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50492	Harbor Gas	\$26	26	26	0	5300	Phn Can	\$21 1/2	21 1/2	21 1/2	0
109331	Can Pac	\$15 1/2	15 1/2	15 1/2	0	50493	Harbor Gas	\$26	26	26	0	19640	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50494	Harbor Gas	\$26	26	26	0	200	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50495	Harbor Gas	\$26	26	26	0	21728	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50496	Harbor Gas	\$26	26	26	0	120	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50497	Harbor Gas	\$26	26	26	0	894	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50498	Harbor Gas	\$26	26	26	0	675	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50499	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50500	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50501	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50502	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50503	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50504	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50505	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50506	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50507	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50508	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50509	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50510	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50511	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50512	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50513	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50514	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50515	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50516	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50517	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50518	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50519	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50520	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50521	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50522	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50523	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50524	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50525	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50526	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50527	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50528	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50529	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50530	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50531	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50532	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50533	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	0
						50534	Harbor Gas	\$26	26	26	0	575	Phn Can	\$21 1/2	21 1/2	21 1/2	

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TABLE 1

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1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991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Profit-taking sends Dow into retreat

Wall Street

AFTER four consecutive days of record-breaking gains, US stock markets ran into profit-taking yesterday morning, leaving share prices lower across the board, writes Patrick Hawkinson in New York.

At 1 pm, the Dow Jones Industrial Average was down 14.81 at 3,500.67. The more broadly based Standard & Poor's 500 was down 1.38 at 454.78, while the Amex composite was 1.11 lower at 447.59, and the Nasdaq composite down 0.81 at 720.05. Trading volume on the NYSE was 122m shares by 1 pm.

Dealers and analysts were not surprised by Monday's early losses. Share prices had ended in positive territory last Friday only because of a late burst of buying tied to the unwinding of stock index options that expired at the close. On the first Monday after options expiration stocks usually fall in early trading as the markets retrace the upward steps taken late on the previous Friday.

Often in such cases early selling peters out quickly, but this was not the case yesterday as investors decided that five days of gains, which had pushed the market's indices to four new all-time highs, had left equities looking overbought.

Profit-taking, therefore, was the order of the day. Analysts said that the declines were a natural correction, and did not indicate a shift in underlying sentiment.

Among individual stocks, cyclical were mostly lower. General Electric, which rose sharply last Friday on news of planned layoffs, fell \$1 to \$97. In busy trading, Caterpillar gave up \$1 to \$80; Intercontinental Paper slipped \$0.50 to \$39.50 and Minnesota Mining & Manufacturing fell \$1 to \$107. Consumer stocks, which fared well last week, suc-

cumbed to profit-taking. Philip Morris dropped \$4 to \$49.50, Procter & Gamble gave up \$1 to \$48, and RJR Nabisco eased \$4 to \$56.

Drug and healthcare stocks, another sector that did well last week, also suffered a reaction. United Healthcare fell \$2 to \$86, Pfizer dropped \$1 to \$33 and Bristol-Myers Squibb gave up \$1 to \$56.

Morgan Stanley climbed \$3 to \$78, a new 52-week high, after the securities house posted record second quarter earnings of \$25m.

Car stocks, which remain in favour with investors following strong quarterly earnings from the big three car manufacturers and buoyant car and truck sales, bucked the trend. Chrysler firmed \$4 to \$41.50, Ford added \$4 to \$50.40, and General Motors climbed \$4 to \$48.50.

On the Nasdaq market, casino stocks were in trouble, with Casino Magic down \$1 to \$13.50 and Grand Casinos down \$1 to \$20.40.

Canada

TORONTO was slightly higher at midday as gold stocks improved in otherwise quiet trading. The TSE-300 composite index was 3.59 higher at 4,050.87 in volume of 15.96m shares valued at C\$163m. Advancing stocks edged declines, 349 to 347, with 259 issues unchanged.

A recovery in gold stocks helped the market recoup earlier losses; at midsession, the gold and silver index was up 110.53 at 4,498.03.

SOUTH AFRICA

GOLD shares lost early gains in this afternoon trade as the bullion price slipped. The Anglo American share price fell \$1 to \$17.75 after a day's high of 1.797. The industrial index rose 10 to 4,620 and the overall index added 5 to 4,049.

EUROPE

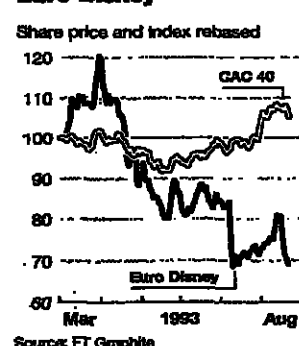
Paris pre-empted Buba as bourses consolidate

THE consolidation which began towards the end of the week extended, and in some cases deepened yesterday, writes Our Markets Staff.

PARIS paid little heed to the decision by the Bank of France to suspend its 24 hour lending facility, having earlier in the day cut the interest rate by another 50 basis points to 7.75 per cent. However, the more important intervention rate remained unchanged at 6.75 per cent and dealers said that the market would probably see cautious trading ahead of Thursday's Bundesbank council meeting. They said that hopes are for Germany to cut rates by up to 0.5 percentage points, enabling the French to cut rates by some 25 basis points.

The CAC-40 index lost 16.83 to 2,111.37 in turnover of some FF2.4bn. Euro Disney was off 4 per cent shortly after the opening following negative weekend media comment and confirmation by the group that summer bookings had been weak. Analysts reiterated sell recommendations on the stock and com-

Euro Disney



Source: FT Graphix

mented that the future of the company was dependent on the refinancing package currently being negotiated. The shares finally closed off 80 centimes at FF156.00, having seen a day's low of FF150.50.

Alcatel-Alsthom saw further profit-taking after last Friday's announcement that it had won a South Korean contract, easing FF10 to FF17.22. Lafarge Coppee lost FF18.50 to FF17.23 on a report that the European Commission might

be about to impose fines on some European cement companies.

FRANKFURT fell faster with the DAX index 34.41, or 1.8 per cent lower at 1,888.27 after dropping 16.30 on Friday from a three year high of 1,938.98. Turnover was DM5.7bn.

Some observers thought that the consolidation could go a lot further; 1,800 was mentioned. But Mr Patrick Betscheider, head of equity sales at Bank Julius Bär in Frankfurt, and jointly in charge of the trading desk, said that he saw a further up-point drop as the worst-case scenario.

Mr Betscheider thought that yesterday's drop was exaggerated by an overhang from the triple options expiry on the Deutsche Terminbörse last Friday. Before the consolidation the bank had seen quite encouraging buying from a number of big institutions, he said; he believes that global investors are still underweight in Germany, and that the DAX will break through its April 1990 all time high of 1,976.43 in the near future.

DB Research, too, said that

FT-SE Actuaries Share Indices

August 23		THE EUROPEAN SERIES								
Hourly changes		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	
FT-SE Eurotrack 100		1283.00	1294.56	1285.01	1283.55	1282.46	1286.18	1291.82	1291.83	1291.83
FT-SE Eurotrack 200		1375.17	1379.87	1376.75	1374.03	1373.81	1378.03	1379.92	1374.00	
		Aug 20	Aug 19	Aug 18	Aug 17	Aug 16				
FT-SE Eurotrack 100		1297.31	1304.07	1303.09	1284.89				1276.32	
FT-SE Eurotrack 200		1380.12	1385.51	1387.63	1388.15				1388.35	

Base value 100 (200/1980). High/Low: 100 - 1280.50 200 - 1376.00. London: 400 - 1286.74 200 - 1379.23.

results, falling SF22 to SF286. STOCKHOLM remained weak with profit-taking being noted in the banking sector, down 3.7 per cent on the day. The Affarsvärlden general index lost 17.9 to 1,291.6 as turnover remained strong at SKr1.5bn.

Handelsbanken A shares shed SKr2 to SKr146 ahead of today's half year results.

OSLO extended last week's falls, the All-share index losing 11.03 or 1.9 per cent to 562.11 in turnover of Nkr658m. Uni Stora, which reported a first half profit of Nkr69m, slightly below expectations, lost Nkr0.20 to Nkr19.30.

Moving east, bourses offered various reactions to the day's consolidation. VIENNA followed Frankfurt, but at a discounted level, the ATX index down 13.30, or 1.3 per cent at 1,000.68. ATHENS continued its downward plunge with a 34.63 drop to 663.53 leaving the general index down 7.9 per cent in a week; and WARSAW ignored the trend altogether in price terms as the all-share WIG index leapt 355.3, or 6.4 per cent to record 6,380.6.

ASIA PACIFIC

Nikkei average weakens in lowest volume of the year

Tokyo

TRADING volume was the lowest of the year yesterday as investors remained absent on uncertainty regarding both the future course of the strong yen and the government's policy in reviving the economy, writes Eiko Terazono in Tokyo.

The Nikkei average slipped 193.12 to 20,414.14, its fifth consecutive decline, having opened at the day's high of 20,595.36 before easing steadily during the session to hit the day's low of 20,394.44 just before the close.

Volume was 139.3m shares, below the previous year's low of 140.7m shares registered on July 5. Declines in the Nikkei index were only 7 issues unchanged. The Toxip index of all first section stocks shed 15.01 to 1,644.18 and, in London, the ISE/Nikkei 50 index

softened 1.52 to 1,254.44.

Foreign investors were small-lot buyers, but some banks were seen taking profits on their long-term portfolios ahead of the September mid-term book closing. Dealers were also seen selling as this is the final week for August delivery.

Investors, hoping that the first policy speech in the afternoon by Mr Morihiro Hosokawa, the prime minister, would present measures to boost the economy, were disappointed. Mr Hosokawa expressed concern but failed to map out specific measures.

Meanwhile, the yen once again strengthened on buying by exporters in spite of active intervention by the Bank of Japan. The dollar yesterday closed ¥110 down at ¥103.35. Fading prospects of a cut in the official discount rate hurt financial issues. Bank of Yoko-

hama, the day's most active issue, lost ¥10 to ¥110. Bank of Tokyo fell ¥70 to ¥2,370. Fuji Bank shed ¥60 to ¥2,370.

Telecommunication shares were lower: Nippon Telegraph & Telephone dropped ¥7,000 to ¥936,000 on reports that it might delay the commercialisation of its next-generation communications network. KDD, the international telecom company, fell ¥500 to ¥11,000 on plans for a rate cut in international calls this October.

Ricoh, which was supported last week on its technology for turning copied paper into blank pages, receded ¥7 to ¥808 on profit-taking.

In Osaka, the OSE average declined 157.29 to 23,577.94 in volume of 18.3m shares. Nintendo, the video game maker, went against the trend, rising ¥310 to ¥9,710 on reports that it is developing a new generation of video game hardware.

Roundup

THE WEEK began with a mixture of profit-taking and record highs in New Zealand and Manila. Bombay was closed for a public holiday.

HONG KONG shed 2 per cent as the banking sector continued to fall back following last week's disappointing results from Hang Seng Bank, down HK\$2 to HK\$55.50. HSBC Holdings, the parent group, also lost HK\$2 to HK\$81.50.

The Hang Seng index slipped 156.94 to 7,388.4, just above the day's low.

Swire Pacific, which reports this week, declined HK\$1.25 to HK\$39 on forecasts of poor results.

SINGAPORE retreated from all-time highs at the close as investors took profits. The Straits Times Industrial index gave up a net 7.78 at 1,964.49,

having seen an intra-day record high of 1,982.39.

Brokers pointed out that Malaysian shares traded over the counter were sold on news that the country's finance minister would make a challenge for the deputy president's post in November.

In KUALA LUMPUR, the reports of the changeover also gave investors an incentive to take profits and the composite index eased 0.25 to 805.26 in volume of 365.4m shares.

NEW ZEALAND continued its rally, the NZSE-40 capital index finishing at its highest level since January 1990. Among the active, Carter Holt Harvey advanced 7 cents to NZ\$3.49 and Brierley Investments 3 cents to NZ\$1.18. The index gained 8.85 at 2,027.37 in turnover of NZ\$60.1m.

Fletcher Challenge met renewed profit-taking, easing 4 cents to NZ\$3.66, but the

shares still remain 22 per cent up following the good results last week.

AUSTRALIA was moderately firmer as many investors consolidated positions after last week's strong gains.

The All Ordinaries index closed 5.7 higher at 1,932.15 in turnover of A\$391.4m.

Strong buy orders from Hong Kong lifted BHP 14 cents to A\$15.50. News Corp, which reports tomorrow, added 10 cents to A\$9.30.

MANILA rose to record levels again, led by Philippine Long Distance Telephone, which climbed 25 pesos to 1,190 pesos. The composite index put on 20.29 at 1,783.30 in turnover of 820m pesos.

SEOUL was easier as profit-taking was seen among large-capitalisation issues. The composite index finished 7.33 down at 727.06 in turnover of Won309.9bn.

Decline in Japan slows World Index

MARKETS IN PERSPECTIVE

	% change in local currency				% change sterling		
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993	Start of 1993
Austria	+0.41	+5.43	+30.58	+26.11	+21.03	+20.78	
Belgium	-0.59	+2.16	+24.04	+21.07	+14.10	+13.87	
Denmark	+3.47	+11.10	+23.07	+33.08	+22.29	+22.04	
Finland	+1.99	+19.30	+154.95	+84.22	+87.17	+86.84	
France	+3.70	+12.31	+32.12	+36.71	+15.73	+15.50	
Germany	+0.81	+4.35	+25.45	+24.09	+13.86	+13.62	
Ireland	+1.13	+8.48	+40.47	+45.79	+26.59	+26.34	
Italy	+4.80	+12.02	+73.11	+51.52	+40.87	+40.59	
Netherlands	+1.14	+6.10	+26.87	+23.25	+18.91	+18.68	
Norway	-2.93	+10.34	+32.80	+33.21	+26.96	+26.71	
Spain	+3.70	+12.31	+32.12	+36.71	+15.73	+15.50	
Sweden	+0.11	+10.86	+60.25	+29.62	+15.40	+15.17	
Switzerland	+0.31	+4.63	+39.70	+20.40	+19.82	+19.38	
UK	+1.43	+8.28	+33.43	+9.45	+9.45	+9.23	
EUROPE	+1.10	+7.58	+33.73	+18.77	+15.00	+14.78	
Australia	+3.20	+5.48	+18.63	+19.27	+17.87	+17.44	
Hong Kong	+1.61	+8.82	+31.92	+34.74	+34.86	+34.59	
Japan	-1.39	+3.11	+41.18	+25.70	+49.96	+49.67	
Malaysia	+4.29	+6.29	+70.09	+40.63	+44.33	+44.04	
New Zealand	+9.89	+18.97	+41.62	+35.45	+46.09	+45.80	
Singapore	+4.11	+10.23	+54.36	+29.55	+32.02	+31.76	
Canada	+1.40	+6.32	+10.57	+13.86	+9.53	+9.31	
South Africa	+1.70	+0.67	+29.53	+28.59	+34.53	+34.25	
WORLD INDEX	+0.50	+3.98	+34.29	+15.00	+20.17	+19.94	

† Based on August 20th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

By William Cochrane

At one point last week, five Pacific Rim equity markets, three senior bourses in Europe, Wall Street in the US and Tokyo and Osaka in Japan, were all hitting 1993 highs; yet the FT-Actuaries World Index ended the week with a rise of just 0.5 per cent.

Some high-profile investment destinations, such as Germany, France, the UK and Hong Kong, saw profit-taking last Friday; but Japan was the real drag on the World Index with a fall of 1.4 per cent in local currency terms.

Nomura's global strategy team in London, headed by Mr Nicholas Knight, put out a sell recommendation on Japanese equities last week, noting that the market at that point was still 46 per cent higher than it was a year earlier.

Given that, say the team, the peak priority now may be the wish to avoid a repetition of the mid to late 1980s; the authorities may seek to reflect the economy in the exclusion of

the stock market, and a "wall of money" might come out of Japan to cap the rising yen.

Opinions are divided on whether Japanese money has been feeding gains elsewhere on the Pacific Rim. Mr David Bates at Asia Equity says his clients have been thinking positively after a bullish National Day in Singapore. Malaysia expected to produce a repeat performance at the end of this month, and Hong Kong moving from exuberance to caution - the latter over China worries and the Hang Seng Bank results - at the end of last week.

However, Ms Pauline McAtamney at Ord Minnett, says that New Zealand, certainly, must have seen some new sources of funds as turnover boomed last week, and its World Index constituent index climbed by a heady 9.7 per cent. Fletcher Challenge lit the touch paper with results better than market expectations, indicating that forestry returns had touched bottom, and with its plans for a separate vehicle for its forestry assets.

Notice of Redemption

INDUSTRIAL BANK OF FINLAND LTD ECU 60,000,000 9% Bonds due 1995

Notice is hereby given that pursuant to section 5 (a) of the Terms and Conditions of the Bonds, Industrial Bank of Finland Ltd will redeem on October 1, 1993 nominal ECU 12,000,000 of the outstanding Bonds at par.

The Issuer having purchased in the market Bonds for a nominal amount of ECU 6,944,000 pursuant to section 5 (b) of the Bonds, the Fiscal Agent has drawn ECU 5,156,000 nominal of the Bonds for redemption pursuant to section 5 (b).

Serial numbers of the drawn bonds are as follows:

1) Bonds denominated in amounts of ECU 1,000

6541	- 7570
7572	- 7676
7677	- 8416
8417	- 8525
8526	- 8593
8594	- 8676
8677	- 8805
8806	- 9218
9219	- 9481

2) Bonds denominated in amounts of ECU 10,000

384	- 399
399	- 400
401	- 402
403	- 404
405	- 406
407	- 408
409	- 410

ECU 24,000,000 nominal amount of the Bonds will remain outstanding after October 1, 1993.

Payment will be made upon surrender of the Bonds, together with all Coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds.

Bonds should be surrendered for payment together with all unremitted Coupons, appertaining thereto, failing which the face amount of the missing unremitted Coupons will be deducted from the principal amount due for payment.

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Financial Izvestia is a weekly business newspaper, produced by the Financial Times in partnership with Izvestia, Russia's leading quality daily.

Published for Financial Izvestia by FT Business Enterprises Ltd. Registered Office: Number One Southview Bridge, London SE1 9SL. Registered in England No. 980066.

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